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THIRTY-FIRST

ANNUAL REPORT

OF THE

Board of Directors

OF THE

Pennsylvania Railroad Co.

TO THE

STOCKHOLDERS,

as presented at the Meeting, held March 12, 1878;

ALSO,

PROCEEDINGS

OF THE

ADJOURNED ANNUAL MEETING

OF THE

STOCKHOLDERS

of March 25, 1878.

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DIRECTORS

OF THE

Pennsylvania Railroad Company

FOR THE

YEARS 1878 and 1879.

THOMAS A. SCOTT,
JOSIAH BACON,
WISTAR MORRIS,
JOHN M. KENNEDY,
SAMUEL M. FELTON,
ALEXANDER BIDDLE,
N. PARKER SHORTRIDGE,
HENRY M. PHILLIPS,

D. B. CUMMINS,
HENRY D. WELSH,
ALEXANDER M. FOX,
WILLIAM ANSPACH,
JOHN PRICE WETHERILL,
GEORGE B. ROBERTS,
EDMUND SMITH,
A. J. CASSATT.

President,

THOMAS A. SCOTT.

Vice-Presidents,

GEORGE B. ROBERTS, EDMUND SMITH, A. J. CASSATT.

Assistants to the President,

STRICKLAND KNEASS, JOHN P. GREEN, J. N. DuBARRY.

Treasurer,

JOHN D. TAYLOR.

Secretary,

JOSEPH LESLEY.

General Solicitor,

JOHN SCOTT.

ANNUAL MEETING.

Philadelphia, March 12, 1878.

The Annual Meeting of the Stockholders of the Pennsylvania Railroad Company was held this day at 10 o'clock A. M., at Musical Fund Hall.

The Hon. William S. Stokley, Mayor of Philadelphia, was called to the Chair, and Mr. Joseph Lesley was appointed Secretary.

The Secretary read the call for the meeting, as follows :

“ OFFICE OF THE PENNSYLVANIA RAILROAD CO.

Philadelphia, February 20, 1878.

The Annual Meeting of the Stockholders of this Company will be held on Tuesday, the 12th of March, 1878, at 10 o'clock A. M., at Musical Fund Hall, Locust Street, above Eighth, Philadelphia.

JOSEPH LESLEY,
Secretary.”

By a vote of the meeting, the reading of the thirty-first Annual Report of the President and Directors, being for the year 1877, was proceeded with by the Secretary, questions being asked the President, from time to time, in relation thereto.

After the reading of the resolution appended to the report, viz. :

“ *Resolved*, that the creation of a trust, having for its object the purchase from time to time of the bonds and shares of other companies which are guaranteed by the Pennsylvania Railroad Com-

pany, and also of the bonded debt of the Pennsylvania Company, be, and it is, hereby approved ; and that the in-coming Board of Directors be, and they are, hereby instructed and authorized to take such action, under the advice of counsel, as may in their judgment, be lawful, necessary, and best adapted to create such trust and to accomplish the objects for which it is designed,”

Mr. William M. Smith offered the following amendment :

Provided, that no portion of the net income of the Pennsylvania Railroad Company shall be set apart and used by the Board of Directors for the purposes of the said Trust, until there shall have been declared and paid to the stockholders of the Company dividends amounting to, at least, six per cent. per annum upon the share capital ;

and provided further, that after the payment to the stockholders of six per cent. in annual dividends, as aforesaid, there shall be set apart and paid over to the Trustees, for the purposes of the said Trust, such sum or sums of money as the Board of Directors, in their judgment, shall deem best for the interests of the Company, for which payments to the said Trustees, there shall not be substituted or issued by the Pennsylvania Railroad Company any bonds or stock or scrip, or any other evidence of debt or interest—bearing obligation in any form whatever.

A general discussion followed on various points in the report, and on its appended resolution ; when

Mr. Daniel Steinmetz offered the following resolution :

Resolved, that the annual report now before this meeting be referred to a Committee of seven stockholders, to be appointed by the Chair, who are hereby instructed, in conjunction with the Board of Directors, to make inquiry in regard to the several items of said annual report, more especially touching the proposition “to create a

trust for the purchase of certain securities," and report the result of their inquiries and such resolutions as may seem to them proper to recommend, to an adjourned meeting of stockholders to be held in this place on Monday the 25th inst., at 10 o'clock, A. M.—the action on the resolutions to be expressed through a stock vote to be taken at the annual election on the 26th inst.

The resolution was adopted.

Mr. John J. McCook offered the following resolution :

Resolved, that the Chairman of this meeting be requested to appoint a Committee of seven shareholders of this Company, to recommend, after conferring with the President, a ticket for Directors to be voted by the shareholders at the next annual election.

The resolution was adopted.

Mr. W. H. Sutton offered the following two resolutions :

Resolved, that no passes should be issued by this Company ; no free freight carried except for the Company itself, and all favoritism as to rates abolished.

Resolved, that in these times of diminished receipts and no dividends, it is imperatively necessary that the expenses of the road should be reduced to the lowest amount consistent with safety, and especially that the number of officers (deemed necessary when the road was doing a much larger business) should be cut down, and the salaries of the higher officials greatly lessened.

Both resolutions were referred to the Committee, to be appointed under the motion of Mr. Steinmetz.

Mr. Henry M. Phillips offered the following resolution :

Resolved, that the thanks of the shareholders of the Pennsylvania Railroad Company are justly due, and are hereby tendered, to

the Hon. William S. Stokley, Mayor of the City of Philadelphia, for his efficient protection of their property from damage and destruction, which so closely threatened it in July last.

The resolution was adopted unanimously.

The meeting was then adjourned to Monday, 25th inst., at 10 o'clock, A. M.

WM. S. STOKLEY,
Chairman.

JOS. LESLEY,
Secretary.

The Chairman appointed the following Committees :—

Under the resolution of Mr. Steinmetz :—

MESSRS. DANIEL STEINMETZ,
THOMAS POTTER,
GUSTAVUS REMAK,
D. B. CUMMINS,
JOHN A. WRIGHT,
LOUIS WAGNER,
GEORGE S. FOX.

Under the resolution of Mr. McCook :—

MESSRS. MORTON MCMICHAEL,
JOHN PRICE WETHERILL,
ISRAEL PETERSON,
A. LOUDEN SNOWDEN,
C. H. T. COLLIS,
RICHARD SMITH,
JAMES MAGEE.

ADJOURNED ANNUAL MEETING.

Philadelphia, March 25, 1878.

Pursuant to the following resolution :

"Resolved, that the Annual Report now before this meeting be referred to a Committee of Seven Stockholders, to be appointed by the Chair, who are hereby instructed—in conjunction with the Board of Directors, to make inquiry in regard to the several items of said annual report, more especially touching the proposition 'to create a trust for the purchase of certain securities,' and report the result of their inquiries, and such resolutions as may seem to them proper to recommend, to an adjourned meeting of stockholders to be held in this place, on Monday, the 25th inst., at 10 o'clock, A. M., the action on the resolutions to be expressed through a stock vote to be taken at the annual election on the 26th inst.,"

adopted at the annual meeting of the stockholders of the Pennsylvania Railroad Company, held on the 12th inst., an adjourned meeting was held this day at 10 o'clock, A. M., the following notice therefor having been duly published :

"OFFICE OF THE PENNSYLVANIA RAILROAD COMPANY.

Philadelphia, March 13, 1878.

An adjourned Annual Meeting of the Stockholders of this Company to receive and act upon the report of the Committee appointed at the Annual Meeting of the 12th instant, will be held on Monday, the 25th instant, at 10 o'clock, A. M., at Musical Fund Hall, Locust Street above Eighth, Philadelphia.

JOSEPH LESLEY,
Secretary."

The Honorable William S. Stokley, Mayor of the City of Philadelphia, was in the Chair, and Joseph Lesley acted as Secretary.

The Chairman, on calling the meeting to order, was addressed by Mr. Daniel Steinmetz, Chairman of the Committee appointed under the above resolution, who then submitted a printed report, adding that there was appended thereto a minority report, which it had been deemed proper should be also submitted.

These reports were then read, as follows :

Philadelphia, March 25, 1878.

To the Stockholders of the
Pennsylvania Railroad Company.

Your Committee appointed at the Annual Meeting of the Stockholders, held at Musieal Fund Hall, in this City, March 12, 1878, under authority of the following resolution :

“*Resolved*, that the Annual Report now before this meeting be referred to a Committee of seven stockholders, to be appointed by the Chair, who are hereby instructed—in conjunction with the Board of Directors, to make inquiry in regard to the several items of said annual report, more especially touching the proposition ‘to create a trust for the purchase of certain securities,’ and report the result of their inquiries, and such resolutions as may seem to them proper to recommend, to an adjourned meeting of stockholders to be held in this place, on Monday, the 25th inst., at 10 o’clock A. M., the action on the resolutions to be expressed through a stock vote to be taken at the annual election on the 26th inst.,”

Would respectfully report,

That upon being notified of their appointment they entered upon the duties committed to them. They prepared a list of questions upon subjects concerning which it was thought that the stockholders desired information, and submitted the same to the President of the

Company, who answered them in writing. Many other questions were examined and discussed with the President and Officers of the Company.

The result of such inquiries, answers, and interviews, is submitted to the stockholders, with the remark that the time allotted to the Committee was altogether insufficient to make any more thorough examination. They have had, necessarily, in forming their judgment, to depend on the facts and opinions elicited from the answers to the interrogatories and at the interviews held.

LEASED LINES.

Your Committee was supplied with a statement giving a list of the leased lines, the date of lease, time of duration and terms. A portion of this information will be found in Appendix A and C of the report of the Board of Directors presented at your meeting, March 12, 1878.

Since the 15th of May, 1874, only two short lines have been leased by your Company, and these on the basis of cost of operating, which was declared at that date to be the settled policy of the Company as to any leases which should be thereafter made, and it was then also determined, that no further liability should be incurred on account of guarantees.

CAR TRUST COMPANIES.

The institution of car trust companies affords a ready means by which railroad companies can make necessary additions to their car equipment without advancing the money to purchase such equipment. The car trust company builds the cars, and the railway company leases them at such an annual rental as will within eight or ten years pay for them in full, the railroad company becoming, at the expiration of the period fixed, the owner of the cars. This method has been largely adopted by railroad companies, and has been approved by their experience.

EMPIRE TRANSPORTATION COMPANY.

On pages 67 and 68 of the Company's report will be found a statement of the property purchased from the Empire Company, and the mode of payment therefor. No liability was incurred by your Company other than as lessee of the cars from the Car Trust Companies. The net results of the operation of the Empire Company's lines have been very favorable so far as the transportation of oil is concerned, and reasonably profitable in the transportation of merchandise.

As to contracts held by the Empire Transportation Company, the President of your Company reports to this Committee as follows: "All the contracts under which the Empire Transportation Company operated the Empire and Green Lines have been continued. As these contracts were entered into for the mutual advantage of the parties thereto, and as the mutuality of interest still continues, there is no reason to anticipate any desire for their termination."

ADAMS EXPRESS COMPANY.

The relations of the Adams Express Company to the Pennsylvania Railroad Company, are simply those of shippers over your Company's lines, under arrangements alterable and terminable on short notice, the terms being considered by the Directors of your Company as profitable to the road. The Express Company, at its own expense, collects its freight from shippers, issues its own bills of lading, provides its own offices, depots, and employés; attends to the delivery at points of destination, and is responsible for all loss or damage. As your Company thus has assured to it a good income upon this class of freight, without expense, and with absolute protection against responsibility arising from loss or damage to property, or loss of life to the employés of the Express Company, it would seem unwise for the Pennsylvania Railroad Company to assume the express business, involving necessarily largely increased expenses

for employés, offices, and depot facilities, and an amount of responsibility from loss of money and other freight that would undoubtedly diminish the revenues of the road. The operations of the Adams Express Company are of such a character that they can be much better performed by a private corporation than by a railway Company.

It having been stated that several of the prominent officers of your Company were owners of the stock of the Adams Express Company, your Committee deem it proper to state that they have been furnished with satisfactory evidence showing that none of the officers of your Company are now interested in the stock of the Express Company, and with the single exception of the ownership of one hundred shares, have not been for the last ten years; under the Pennsylvania Railroad Company's rules that stock was sold some time ago. The following rules adopted by the Directors of your Company for the government of its officers, agents, and employés, are inserted for the information of the shareholders :

“No member of the Board shall, on behalf of this Company, negotiate any contract or arrangement for work or materials for the use and benefit of this Company to be done or furnished by any company or partnership in which he may have an interest, nor shall he be entitled to vote on the acceptance or approval of any purchase or contract in which he is interested.”

“No officer, agent, or employé of the Company, shall be concerned directly or indirectly in any contract, arrangement, or engagement for doing work or furnishing materials to the Company, or be connected with any other company, person, or firm engaged in the transportation of persons or property over its lines, or be interested in any manner whatsoever in any business done with the Company when transacted by others over its lines.”

PENNSYLVANIA COMPANY.

The organization of the Pennsylvania Company as a corporation or bureau was considered by the direction of your Company, in 1870, as an absolute necessity, by which the aggregated business upon the lines west of Pittsburgh, embracing over 3,000 miles, could be handled, and the details thereof closely followed on all the different roads and branches under the Company's charge. The President of your Company reports to this Committee "that it is to-day performing its functions in a way that is valuable to the shareholders of the Pennsylvania Railroad Company." Said Company being the sole owners of the shares of the Pennsylvania Company, any profits arising from its operations accrue to the benefit of the treasury of your Company.

MAINTENANCE OF WAY.

The cost of maintenance of way upon the New Jersey Roads in 1877 was heavy. It was due to the necessity of rebuilding bridges, relaying rails, and cross-ties, and maintaining and improving the road-bed, both upon the Main Line and Branches, and to the necessity of employing a large force of watchmen in the many towns and populous districts where the crossings are mostly at grade. The wear and tear of the equipment, especially where, as on this portion of your lines, many trains must be run at high rates of speed, is very largely dependent upon the good condition of the track and road-bed, and no money is more economically expended than that appropriated to the keeping up of the track and road-bed to the most perfect condition. No items are charged under this head which do not properly belong thereto.

BASIS OF VALUATION OF SECURITIES.

The value of the securities held by your Company is determined after a full examination of each item by the proper officers of the

Company, in connection with the Finance Committee, the result of such examination and valuation being approved by the Board.

BASIS OF VALUATION OF EQUIPMENT.

The cost of equipment is charged to the account when purchased or built. When a locomotive or car is injured, wears out, or is destroyed, it is repaired or replaced by new equipment, and the cost charged to operating expenses. The result is, owing to the increased size, weight, and power of locomotives as now constructed, and the improved construction of cars, the equipment account as charged upon the books of the Company, represents a much smaller amount than its present cash value.

ADVANCES TO RAILWAY COMPANIES.

In all cases where the Pennsylvania Railroad Company was called upon to make advances to any companies upon whose obligations it is a guarantor, they are included in the Treasurer's report, and are not additional obligations.

PROFIT AND LOSS ACCOUNT.

(See page 37 of Report.)

The amount of \$7,910,387.90 represents the total reduction in the valuation of the bonds, stocks, &c., held by the Company December 31, 1877. The amount of \$941,633.95 is made up of sundry accounts charged to loss, they being considered of no value. The amount of \$1,246,225.86 represents accounts charged off the books as *loss*, yet kept in a supernumerary book under head of suspense account, so that their existence shall not pass from the knowledge of the officers of the Company, in case said accounts should have a future value.

NUMBER OF CHIEF OFFICERS AND THEIR SALARIES.

A list of such officers and their salaries was furnished your Committee, and so far as they have been able to learn of the

duties of such officers, they are satisfied that the number is not beyond the requirements of the Company, and that the salaries, in many cases, are below those paid by other roads for a like service.

REPORT TO AUDITOR GENERAL.

The apparent discrepancy between the reports made annually by the Pennsylvania Railroad Company to the Auditor General of the State of Pennsylvania, and its reports made to the shareholders of the Company, is due to the fact that the answers to the questions in the Auditor General's report do not include all the operations of this Company as fully as does the report to the shareholders. While all the facts reported to the Auditor General are correct, yet owing to the peculiar nature of the questions, no proper judgment of the yearly operations of the Company can be formed, and as far as the receipts are concerned, they cover only the gross operating receipts from the Pennsylvania Railroad and Branches within the State of Pennsylvania, while all the expenses, dividends, interest, &c., are stated; but the reports to the stockholders show the receipts from all lines operated and the interest from bonds and stocks held by it.

LOSS IN PITTSBURGH IN 1877.

On pages 73 and 74 of the report, will be found a full statement of the loss at Pittsburgh. As repairs are made to replace this loss, they are charged to "Allegheny County." On page 74 will be found the opinion of the Board as to the probable recovery of this account.

FLOATING DEBT.

The general account of the Pennsylvania Railroad Company shows its floating debt December 31, 1877, to have been \$1,500,000, and that of the Pennsylvania Company (see Appendix I of Report), \$2,993,699.99. To meet the floating debt of the Pennsyl-

vania Company, as explained upon page 58 of the Report, there are \$3,200,000 of Pennsylvania Company's bonds, secured by \$4,000,000 of 7 per cent. special guaranteed stock of the Pittsburgh, Fort Wayne and Chicago Railway Company. As the bonds are sold, the proceeds are applied to the reduction of the floating debt on account of which they were issued.

FREE PASSES, FREE FREIGHT.

As to the subject of free passes, which has been referred to your Committee, they are of the opinion that the question can safely be left to the discretion and decision of the incoming Board. As to the transportation of freight free of charge, your Committee are assured that none is shipped over the road except for Company purposes.

TRUST FUND.

In the report of the Board of Directors on page 76, the fixed liabilities on the guaranteed endorsements of the Pennsylvania Railroad Company are stated at \$178,016,293.11. The Committee fear that the statement in the report is liable to misapprehension, and therefore make the following explanation as aiding in the better understanding of the character of these liabilities.

The capitalized amount of the liabilities of the Pennsylvania Railroad Company on account of endorsements of bonds as guarantor, or for rentals as lessee, is stated in the Report of the Board at - - - - - \$178,016,293 11

Deducting the amount representing the capitalized principal of the stocks upon which the Company guarantees certain dividends, and upon which, therefore, its utmost liability is confined to the dividends themselves, - - 68,699,697 10

we obtain - - - - - \$109,316,596 01

as the amount of the bonds upon which the Company is a guarantor directly or indirectly.

Upon these bonds the Pennsylvania Railroad Company is a direct guarantor of principal and interest as follows :

Under the lease of the United Railroads of New Jersey, to the amount of - - - - - \$25,496,700 00

On other lines east of Pittsburgh and Erie, embracing the Philadelphia and Erie, West Pennsylvania, Chartiers, Connecting and Junction Roads, and the Susquehanna Coal Company, on which it is the sole guarantor, and the Allegheny Valley, and Baltimore and Potomac, on which the Northern Central and Philadelphia and Erie Companies are co-guarantors,

32,450,266 66

And on the lines west of Pittsburgh and Erie
to the amount of - - - - 3,150,000 00

In all, - - \$61,096,966 66

On the bonds of the Pennsylvania Canal Company,	3,000,000 00
(interest only guaranteed.)	

On the lines west of Pittsburgh and Erie the indirect guarantees of the Company, through leases directly made to it, are	-	-	-	30,942,629	35
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And through leases made to your Western Lines, 14,277,000 00

Making up the total as above, of - - \$109,316,596 01

It must be borne in mind that the bonds which the Pennsylvania Railroad Company has guaranteed, have for their security railway property entirely distinct from the Main Line of your Company, so that in case of foreclosure, or by the purchase of these bonds, your Company would practically become the owners of the roads upon which these securities are a lien, and upon which, in many

cases, large sums of money outside of the mortgage debt have been expended.

In the case of the United Railroads of New Jersey, the Pennsylvania Railroad Company agreed to pay their bonded debt as it became due, the lessor being bound to furnish new bonds to a corresponding amount with which to pay off the maturing loans, so that the only practical liability connected with the principal of maturing bonds would be in case the new bonds did not bring par, in which case the Pennsylvania Railroad Company would have to make up the deficiency. As these bonds now sell at from 107 @ 109, it will be readily seen that no deficit is likely to occur from that source; on the contrary, as the lease stipulates that the excess in the proceeds of the new bond shall enure to the lessee, they are much more likely to become a source of profit.

The same state of facts exists with the bonds of the Fort Wayne, Cleveland and Pittsburgh and other roads west of Pittsburgh, constituting the larger portion of your liabilities in connection with the Western Lines. The lessor Companies agreed in the same way to supply new bonds to take the place of maturing obligations, and many of their securities are selling in the market at from 105 @ 120, and it is very hard to obtain them even at these prices—so that it will be readily seen there can be no difficulty in securing their renewal, if found expedient.

After a full and free interchange of opinion with the Board of Directors, in reference to the advisability of a Trust, the Committee believe that a Trust for the purposes stated will be prudent and wise, and recommend that in principle it be adopted, and that the details of the same be referred to the incoming Board of Directors.

DIVIDENDS.

It may be well to call the attention of the stockholders to the fact that the cash dividends have, in the past, been large, amounting to the present date, to an aggregate of \$111.75 per share, being a return of $223\frac{1}{2}$ per cent., and also stock dividends of 40 per cent., making a total dividend in $30\frac{1}{2}$ years of $263\frac{1}{2}$ per cent., being an average of a fraction more than $8\frac{1}{2}$ per cent. per annum.

CONCLUSION.

Your Committee have thus in as condensed a form as possible endeavored to answer the various questions suggested at the meeting of March 12, and referred to them for examination; they also desire to report that they had a lengthy conference with the Board of Directors, at which the conditions and prospects of your Company as well as the advisability of the proposed trust fund were fully and freely discussed.

While the Committee does not wish to recommend rules or limit the management in the control of the finances of the Company or in the details of the Trust, yet in expressing the following opinions as their conclusions in regard to the general condition of the Company, its management, and future policy, so far as they have been able to examine the matter in the brief time allotted to them, they feel they consult the interests and the understood wishes of the shareholders:

1. That the management of the road has been intelligent and faithful, and with a continuance of prudent and cautious administration there is no cause for apprehension of disastrous results in the future.

2. That while your Company has been since 1873, and is now suffering in net earnings by reason of low rates, the continued depressed condition of the country, and especially from the large amount of guaranteed obligations of other lines, bearing a high rate of inter-

est, incurred during the years of inflation immediately preceding the late panic; yet encouragement for the future is found in the fact that the tonnage of the main line and all its connections is steadily increasing, giving reasonable ground to anticipate, before long, an increase of rates; and notwithstanding the extent of the obligations above mentioned, they have all been promptly met out of the earnings of your lines—even during the past year of almost unexampled depression and special disasters.

3. That the policy of the Directors as approved in May, 1874, of limiting the extension of the liabilities of the Company in leasing new lines, or increasing the guaranteed liabilities either of the Pennsylvania Railroad Company or of the Pennsylvania Company, is hereby approved, and should be strictly adhered to.

4. That the interests of the Company require on the part of the managers the strictest economy, as well in the employment of officers and other labor, as in the purchase of property, straightening the track, erection of buildings, or other improvements not absolutely necessary to the economical administration of the road, and recommend the sale of any property that may not be required for the current business of the Company.

5. That the net profits of the Company be applied to the reduction of the floating debt as rapidly as the Board of Directors may deem advisable for the interests of the Company.

6. From the dividends to be declared from the net profits of the Company an amount not exceeding two per cent. per annum on the capital stock of the Pennsylvania Railroad Company, should be invested in a trust, "having for its object the purchase from time to time of the bonds and shares of other companies which are guaranteed by the Pennsylvania Railroad Company, and also of the bonded debt of the Pennsylvania Company," in such form as the

Directors shall deem for the best interests of the stockholders and the future prosperity of the Company.

Your Committee beg to state that it would have been impossible for them to have made any satisfactory progress in the matters committed to their charge, had it not been for the prompt manner in which their various inquiries were met by the Company.

The Committee would respectfully recommend the adoption of the resolution appended to the Report of the Board of Directors, as follows:

“Resolved, that the creation of a trust, having for its object the purchase from time to time of the bonds and shares of other companies which are guaranteed by the Pennsylvania Railroad Company, and also of the bonded debt of the Pennsylvania Company, be, and it is, hereby approved; and that the in-coming Board of Directors be, and they are, hereby instructed and authorized to take such action, under the advice of counsel, as may, in their judgment, be lawful, necessary, and best adapted to create such trust, and to accomplish the objects for which it is designed:”

And that the ballots for the approval or disapproval of said resolution shall be deposited with the judges of the election for Directors, to be held on the 26th day of March instant, and that the judges of said election receive the ballots, and publish the result.

Very Respectfully,

DANIEL STEINMETZ,
GUSTAVUS REMAK,
D. B. CUMMINS,
JOHN A. WRIGHT,
LOUIS WAGNER,
GEORGE S. FOX.

Philadelphia March 25, 1878.

To the Stockholders of the
Pennsylvania Railroad Company.

The undersigned one of the Committee appointed by the Honorable William S. Stokley, Chairman of the Annual Meeting of the Stockholders of the Pennsylvania Railroad Company, held at Musical Fund Hall, March 12, 1878, to examine the report presented by the Directors of the Pennsylvania Railroad Company, but more particularly touching the resolution appended to said Annual Report,

To wit :

“ *Resolved*, that the creation of a Trust, having for its object the purchase from time to time of the bonds and shares of other Companies, which are guaranteed by the Pennsylvania Railroad Company, and also of the bonded debt of the Pennsylvania Company be, and it is, hereby approved, and that the incoming Board of Directors be, and they are, hereby instructed and authorized to take such action under the advice of counsel, as may in their judgment be lawful, necessary, and best adapted to create such Trust, and to accomplish the objects for which it is designed :”

Begs to report as follows :

This resolution is the substance of the reference.

The undersigned could endorse the statements and recommendations contained in the report prepared and submitted by the majority of the Committee, except the recommendation for an immediate approval of the said resolution by the stockholders at their meeting to-day, and their stock vote in favor of or against the resolution to be taken to-morrow at the time and place of holding the annual election for Directors for the year 1878.

The undersigned was willing to join in the recommendation of the reference of the principle of said Resolution to the considera-

tion of the incoming Board of Directors, and to request them to take into consideration the subject of said trust, and during the coming year perfect a plan for its organization and management; and, at the annual meeting in 1879, submit it for the approval of the stockholders by a stock vote.

The undersigned could not endorse the *immediate* creation of a trust of such magnitude, which was unexplained by those recommending it; the Board of Directors of the Pennsylvania Railroad Company being themselves divided in opinion on the subject of such a trust.

The undersigned could not ask the stockholders to vote for a measure which may involve two (2) per cent. of their yearly dividends amounting annually to \$1,377,404, and extending over an untold number of years, until the \$180,516,293.11 of guaranteed liabilities are absorbed in said trust, without giving the whole body of stockholders ample time to consider the subject which they were asked to vote upon. No such time will be given, if the vote be taken on the Report on the 26th inst., as proposed. If the entire subject should remain open for consideration for one year, it would afford the incoming Board of Directors an opportunity to perfect a Trust scheme worthy of such a corporation; and if the Trust be as meritorious as its advocates claim it to be, one year of consideration and discussion, will but more and more bring to light its inherent virtues.

It is due to the stockholders that such time for consideration be given, in order that, if they have any right to vote on this question, they may do so intelligently.

The reasons, therefore, that the undersigned would give for postponing action on this Resolution for one year, are as follows:

1st. Because sufficient time has not been afforded to the stockholders of the Pennsylvania Railroad Company to understand the details of this Funding Trust.

2d. The Board of Directors of the Pennsylvania Railroad Company are themselves divided in opinion, on the subject of said Trust.

3d. The financial condition of the Pennsylvania Railroad Company is not such as to warrant any appropriation of the net earnings during the present year to such a fund.

4th. The first duty of the Directors of the Pennsylvania Railroad Company is to pay to the stockholders a dividend out of the net earnings of the Company.

5th. The funding scheme is of too much importance, involves too many interests, and affects the savings of the industrious poor to such an extent, that no hasty action upon it can be justified.

The undersigned therefore respectfully submits the following Resolution, and recommends its adoption.

Resolved, that the creation of a Trust, having for its object the purchase, from time to time, of the bonds and shares of other companies which are guaranteed by the Pennsylvania Railroad Company, and also of the bonded debt of the Pennsylvania Company, be, and is, hereby referred to the incoming Board of Directors to take such action under the advice of counsel as may be lawful and best adapted to create such Trust; to perfect rules and regulations for its organization and government, and also to report the names of the Trust Company, and the names of the Trustees, together with the probable annual cost of said Trust, to the stockholders at their annual meeting in Philadelphia in 1879, for their approval or rejection, by ballots deposited with the judges of election for Directors in the said year.

Respectfully,

THOMAS POTTER.

Mr. Henry Winsor offered the following resolution :

Resolved, that the report of the Committee of Stockholders appointed at the annual meeting, March 12th inst., as read by the Secretary, be, and the same is hereby accepted, and the recommendations therein as to the trust fund be voted upon by the stockholders at the same time and place as the election for Directors of this Company, viz , on the 26th day of March inst., the ballots approving or disapproving the same to be received by the judges of said election, who shall publish the result.

Mr. Benjamin Harris Brewster offered the following resolution as an amendment to that offered by Mr. Winsor :

Resolved, that the report of the majority and the minority of the Committee be, and they are hereby referred to the stockholders, with request that when they vote for a Board of Directors on the 26th inst., they have placed on their tickets the words,—

For the report of the majority of the Committee ; or,

For the report of the minority of the Committee ; or,

Against any Funding plan.

Mr. Lemuel Todd then moved to lay the two resolutions on the table ; which was not agreed to.

Mr. Thomas Potter offered, as a substitute for the two resolutions, the resolution submitted in his minority report.

The resolutions were then discussed, generally and at length ; when,

On motion of Mr. W. H. Sutton, the meeting adjourned.

WM. S. STOKLEY,

Chairman.

JOS. LESLEY,

Secretary.

The duly appointed judges of the annual election for Directors of the Company, held on the 26th of March, 1878, received and counted with the result hereafter stated, the ballots that were offered by the stockholders, in pursuance of the resolution adopted by them at their meeting of the 12th inst.—the following notice therefor having been given through the daily newspapers of the City of Philadelphia:

SPECIAL NOTICE.

OFFICE OF THE PENNSYLVANIA RAILROAD COMPANY.

Philadelphia, March 25, 1878.

In pursuance of the following resolution adopted by the Stockholders of this Company at their meeting on March 12, 1878, to wit:

“*Resolved*, that the Annual Report now before this meeting be referred to a Committee of seven stockholders, to be appointed by the Chair, who are hereby instructed—in conjunction with the Board of Directors, to make inquiry in regard to the several items of said annual report, more especially touching the proposition ‘to create a trust for the purchase of certain securities,’ and report the result of their inquiries, and such resolutions as may seem to them proper to recommend, to an adjourned meeting of stockholders to be held in this place, on Monday, the 25th inst., at 10 o’clock, A. M., the action on the resolutions to be expressed through a stock vote to be taken at the annual election on the 26th inst.”

and the stockholders at their adjourned meeting this day, having taken no action except to receive and discuss the reports of the Committee appointed under the above resolution, and having adjourned without rescinding the action taken on the 12th inst., which therefore stands as the action of the stockholders, Counsel

have advised that in accordance with said resolution, the stockholders should have an opportunity to express their opinion on the resolutions submitted by said Committee in connection with their reports; NOTICE is therefore hereby given that ballots will be ready at the office of the Company, No. 233 South Fourth Street, to-morrow, the 26th inst., between the hours of 10 A. M. and 6 P. M. (the time for the annual election of Directors), for a vote on the following resolutions:

Resolution recommended by the Majority Report of the Committee:

“*Resolved*, that the creation of a trust, having for its object the purchase from time to time of the bonds and shares of other companies which are guaranteed by the Pennsylvania Railroad Company, and also of the bonded debt of the Pennsylvania Company, be, and it is, hereby approved; and that the incoming Board of Directors be, and they are, hereby instructed and authorized to take such action, under the advice of counsel, as may, in their judgment, be lawful, necessary and best adapted to create such trust, and to accomplish the objects for which it is designed.”

Resolution recommended by the Minority Report of the Committee:

“*Resolved*, that the creation of a trust, having for its object the purchase from time to time of the bonds and shares of other companies which are guaranteed by the Pennsylvania Railroad Company, and also of the bonded debt of the Pennsylvania Company, be, and is, hereby referred to the incoming Board of Directors to take such action under the advice of counsel as may be lawful and best adapted to create such Trust; to perfect rules and regulations for its organization and government, and also to report the names of the Trust Company, and the names of the Trustees, together with the probable annual cost of said Trust, to the stockholders at their annual meeting in Philadelphia in 1879, for their approval

or rejection, by ballots deposited with the judges of election for Directors in the said year."

The ballots above referred to will be in the following form :

"For the adoption of the resolution on creation of Trust, as recommended in the **MAJORITY REPORT** of the Committee."

ALSO

"For the adoption of the resolution on creation of Trust, as recommended in the **MINORITY REPORT** of the Committee."

JOSEPH LESLEY,
Secretary.

There were voted upon the question of creating a Trust, as recommended in the annual report of the Board of Directors 481,284 shares. Of this number, 375,299 shares were voted in favor of the resolution recommended in the majority report of the Committee, which referred the matter to the incoming Board, and authorized it to take action thereon at such time, as in its judgment, would best accomplish the objects for which the trust was designed.

There were voted 105,885 shares in favor of the resolution recommended in the minority report of the Committee, which approved the general principles of the trust, but deferred final action thereon until the next annual meeting of the stockholders, and required the names of the trustees, together with the probable annual cost of the trust, to be submitted at that time for their approval or rejection.

100 shares were voted against the creation of a trust.

JOSEPH LESLEY,
Secretary.

THIRTY-FIRST ANNUAL REPORT.

Office of the Pennsylvania Railroad Company,
Philadelphia, March 12, 1878.

To the Shareholders of the
Pennsylvania Railroad Company.

Your Directors submit their Report for the year 1877, which, in accordance with the wish expressed by a large number of the Shareholders, embraces the general result of the working of all the lines and organizations in which your Company is interested, and a detailed statement of the charges and liabilities resulting from the leases and guarantees made by it; with such other information as it is believed will enable you to fully understand the physical and financial condition of your property.

The following account shows the earnings and expenses, and charges against income, on the three Divisions operated directly by your Company east of the cities of Pittsburgh and Erie, viz.:

1st. The Pennsylvania Railroad Division, embracing the Main Line from Philadelphia to Pittsburgh, and the branches thereof, whether owned or leased, and covering a total length of line of 1,055 miles.

2d. The United Railroads of New Jersey Division, embracing the lines between Philadelphia and Jersey City; between Philadelphia and Amboy; the Belvidere Delaware Road and all the branches of these several lines, covering 373 miles of line, and the Delaware and Raritan Canal, 66 miles in length.

3d. The Philadelphia and Erie Railroad Division, between Sunbury and Erie, covering 288 miles of line.

These three Divisions aggregate 1,782 miles of line, and show the following results for the year:

THIRTY-FIRST ANNUAL REPORT,

GENERAL INCOME ACCOUNT FOR THE YEAR ENDING DECEMBER 31, 1877.

No. 1, PENNSYLVANIA R. R. DIVISION,

MAIN LINE AND BRANCHES, PITTSBURGH TO PHILADELPHIA.

EARNINGS.

From General freights.....	\$14,642,109 01
" Miscellaneous freights.....	77,286 51
" First-class passengers.....	3,239,415 76
" Emigrant passengers.....	143,857 57
" Adams Express.....	313,118 43
" Carrying U. S. Mails.....	314,716 64
" Miscellaneous passengers.....	69,358 72
" Rents.....	183,593 61
Total earnings.....	\$18,983,456 25

EXPENSES.

For Conducting transportation.....	\$4,189,253 99
" Motive power.....	3,098,317 06
" Maintenance of cars.....	932,525 52
" Maintenance of way.....	2,185,486 28
" General expenses.....	345,555 79
Total expenses.....	10,751,138 64

Net earnings from operating Main Line and Branches

Add interest received from investments, in cash.....

Add interest received from investments, in securities at estimated cash value.....

Add interest received from branch roads for use of equipment.....

Total earnings.....	\$1,763,090 44
	402,771 72

DEDUCT PAYMENTS.

Rentals paid Branch roads.....	\$588,784 95
Interest on equipment charged Branch roads.....	69,479 42
Rent Harrisburg and Lancaster Railroad.....	132,572 99
Interest on bonded debt.....	3,313,185 60
Balance of interest on unfunded debt.....	252,949 24
Interest paid State of Pennsylvania on account of purchase of Main Line.....	237,002 34
Premium, exchange, commissions, &c.....	85,996 76

Total payments.....

\$4,679,971 30

Net income Pennsylvania Railroad Main Line and Branches.....

\$6,063,928 56

UNITED NEW JERSEY RAILROAD AND CANAL COMPANY, INCLUDING BELVIDERE DELAWARE RAILROAD
AND FLEMINGTON BRANCH.

PENNSYLVANIA RAILROAD COMPANY.

EARNINGS.		
From General freights.....	\$3,868,582 82	
" Miscellaneous freights.....	148,669 14	
" First-class passengers.....	3,653,571 06	
" Emigrant passengers.....	30,822 50	
" Express.....	215,706 68	
" Carrying U. S. Mails.....	116,629 44	
" Miscellaneous passengers.....	30,145 94	
" Delaware and Raritan Canal.....	896,569 65	
Total earnings.....	\$8,960,697 23	
EXPENSES.		
For Conducting transportation.....	\$2,513,356 35	
" Motive power.....	1,422,579 96	
" Maintenance of cars.....	474,306 21	
" Maintenance of way.....	1,240,202 20	
" General expenses.....	69,649 76	
" Canal expenses.....	477,606 78	
Total expenses.....	6,227,701 26	
Net earnings from operating.....	\$2,732,995 97	
Add interest received in cash from investments.....	221,525 39	
Total net earnings.....	\$2,954,521 36	
DEDUCT PAYMENTS.		
Payments on account of dividend, interest, &c.....	\$1,398,523 13	
" " Interest on equipment used by Belvidere Delaware Railroad Company.....	38,516 27	
Total payments.....	4,437,039 40	
Net loss in operating United Railroads and Canal Company's property.....		\$1,482,518 04
Balance after deducting loss in operating United Railroads and Canal Companies.....		\$4,581,410 52

No. 3, PHILADELPHIA AND ERIE DIVISION.
PHILADELPHIA AND ERIE RAILROAD.

EARNINGS.		
From General freights.....	\$2,638,697 55	
“ Miscellaneous freights.....	77,038 01	
“ First-class passengers.....	371,153 41	
“ Emigrant passengers.....	1,409 12	
“ Express.....	36,694 91	
“ Carrying U. S. Mails.....	30,205 69	
“ Miscellaneous passengers	17,794 55	
Total earnings.....	\$3,172,992 70	
EXPENSES.		
For Conducting transportation.....	\$650,009 80	
“ Motive power.....	562,740 27	
“ Maintenance of cars.....	269,931 80	
“ Maintenance of way.....	566,945 47	
Total expenses.....	2,049,627 34	
Net earnings from operating Philadelphia and Erie Railroad.....	\$1,123,365 36	
Deduct interest charged for use of Equipment, &c.....	239,189 90	
Net earnings applicable to pay interest.....	\$884,175 46	
Deduct amount paid Philadelphia & Erie Railroad Company as rental.....	884,175 46	

The details of the foregoing accounts appear in Statements A and B attached to this report, which give separately the results of the working of each road included in the three Divisions east of Pittsburgh and Erie.

Out of the balance above shown,	-	-	-	-	\$4,581,410 52
There were paid during the year, two dividends, one of 2 per cent. and one of 1½ per cent.,	-	-	-	-	\$2,410,457 00
State Tax upon same,	-	-	-	-	175,619 01
					<u>2,586,076 01</u>
Showing a credit to the balance of profit and loss, on the operation of the lines east of the cities of Pittsburgh and Erie for the year 1877, of	-	-	-	-	\$1,995,334 51

It will be seen from the foregoing statement that the net income of the Company for the past year was a fraction over six per cent.

From this balance to the credit of Income Account for the year 1877 of

-	-	-	-	-	\$1,995,334 51
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Your Board of Directors might have deducted the deficiencies of the following Companies in meeting their fixed liabilities for that year, as follows :

Susquehanna Coal Company, deficiency in meeting interest guaranteed by Pennsylvania Railroad Company,	-	-	-	-	\$121,484 88
Pennsylvania Canal Company, deficiency in meeting interest guaranteed by Pennsylvania Railroad Company,	-	-	-	-	33,605 37
Western Pennsylvania Railroad Company, deficiency in meeting interest guaranteed by the Pennsylvania Railroad Company,	-	-	-	-	8,810 56
Baltimore and Potomac Railroad Company, deficiency in meeting interest guaranteed by the Pennsylvania Railroad Company,	-	-	-	-	183,252 14
American Steamship Company, deficiency in meeting interest guaranteed by the Pennsylvania Railroad Company,	-	-	-	-	79,869 12
Amounts carried forward,					<u>\$432,022 07</u> <u>\$1,995,334 51</u>

Amounts brought forward,	\$432,022 07	\$1,995,334 51
Allegheny Valley Railroad Company, deficiency in meeting interest guaranteed by the Pennsylvania Railroad Company, - -	16,100 20	
Philadelphia and Erie Railroad Company, deficiency in meeting interest on guaranteed bonds not owned by the Pennsylvania Railroad Company, - - - -	43,385 69	
Grand Rapids and Indiana Railroad Company, deficiency in meeting interest guaranteed by the Pennsylvania Railroad Company, -	250,143 13	
(For the amount advanced to this Company the Pennsylvania Railroad Company holds the first mortgage coupons, which are secured by the land grant, and believed to be a good asset, as hereinafter more particularly stated.)		
Loss shown in Income Accounts on the Southwestern leased lines of Pittsburgh, Cincinnati and St. Louis Railway Company, \$131,784 64		
Less profits on the Northwestern lines and other property of the Pennsylvania Company, as shown in its income account, - 30,170 83		
	<u>101,613 81</u>	
Loss on the Lykens Valley Coal Company, - - -	174,828 72	
Less profit on the Summit Branch Railroad Company, - -	27,267 32	
	<u>\$147,561 40</u>	
Less also one third of the profits of the Mineral Railroad and Mining Company, - -	15,799 99	
	<u>131,761 41</u>	
		<u>975,026 31</u>
		<u>\$1,020,308 20</u>

(None of the obligations of these three latter Companies are guaranteed either directly or indirectly by your Company.)

Many of these Companies have met the deficiencies referred to out of their own resources; but placing the matter in the most un-

favorable light by assuming that the whole of these losses might fall upon the Pennsylvania Railroad Company as an owner of the majority of the share capital of the respective companies, it will still be seen from the above statement that there would be a balance of \$1,020,308.20 to the credit of the income account of your Company for the year, after deducting the payment of dividends that have been made in 1877 amounting to three-and-a-half per cent.

The following statement shows the changes which your Board has deemed it wise to make in the Profit and Loss Account of the Company, in order to place its financial condition on a more conservative basis :

Amount to credit of income account for 1877, -	-	-	\$1,995,334 51
Add amount to credit of profit and loss, December 31, 1876, -	-	-	10,054,197 03
			<u>\$12,049,531 54</u>
Add amount realized from old accounts and assets, -	-	-	461,868 40
			<u>\$12,511,399 94</u>
Against which were charged off during the			
year the following items :			
Reduction in value of securities, -	-	-	\$7,910,387 90
Sundry accounts charged off as of no value, -	-	-	941,633 95
Sundry securities transferred to suspense account as of doubtful value, -	-	-	1 246,225 86
Loss in operating Elmira, Chemung and Canandaigua Line (divided equally with Northern Central Railway), -	-	-	65,770 23
			<u>\$10,164,017 94</u>
Balance to credit of profit and loss, December 31, 1877, -	-	-	<u>\$2,347,382 00</u>

In the Report for 1876, the amount estimated for construction and equipment purposes, and for real estate, for the year 1877, was stated at two millions of dollars.

The amount actually expended during the year, was as follows:

For CONSTRUCTION,

Pennsylvania Railroad proper, - - -	\$763,208 78	
United Railroads of New Jersey, - - -	84,695 20	
	<hr/>	\$847,903 98

For EQUIPMENT, - - - - - 75,489 67

For REAL ESTATE,

Pennsylvania Railroad proper, - - -	\$141,252 16	
United Railroads of New Jersey, - - -	77,688 16	
	<hr/>	218,940 32

For extension of, and new work upon, branch and connecting
roads controlled by this Company, - - - - - 184,644 11

Making a total of - - - - - \$1,326,978 08

The above amount charged to construction upon the Main Line, includes the cost of completing the passenger station at West Philadelphia; the straightening of the road between Eagle and Green Trec and between Ronk's Mills and the Big Conestoga; the purchase of machinery, shops, piers, stations and warehouses from the Empire Transportation Company, under the arrangement hereinafter stated; also part of the cost of constructing a double track iron bridge 3,680 feet in length, over the Susquehanna River at Rockville, the entire cost of which bridge, including widening of piers and abutments, laying additional new tracks, and all other expenses incident thereto, was \$326,614.10, of which amount \$150,000 was charged to construction, and the balance to expenses. The sum so charged to expenses greatly exceeds the amount that would have been required to replace the former wooden single track bridge. The whole work was completed by the Delaware Bridge Company, between July 1st and December 1st, without interfering with the movement of trains. By the construction of a little more than a mile of double track, on this bridge and its approaches, an entire double-track line between Pittsburgh

and New York is perfected; while at the same time the movement and operation of trains at that point are greatly facilitated.

The expenditure on the New Jersey Division represents a portion of the cost of rebuilding the Centre Street Bridge at Newark, and the Pennypack Bridge near Holmesburg Junction; the completion of new station house at Rahway, and the purchase of additional right of way, charged to cost of construction.

The outlay upon the Branch roads was required to complete the Columbia and Port Deposit railroad, which was opened for traffic July 1, 1877; to extend the South West Pennsylvania railway from Uniontown to Oliphants, a distance of $4\frac{6}{10}$ miles, and the Lewisburg, Centre and Spruce Creek railroad, from Laurelton to Spring Mills, a distance of $24\frac{8}{10}$ miles. Forty-two miles of this last-named line are now completed, and 32 of the $45\frac{1}{2}$ miles, between Spring Mills and Tyrone, remaining unfinished, are graded ready for the superstructure. This unfinished portion will be completed, from time to time, if the business of the region it traverses will justify it.

The real estate expenditures were mainly in payment for property purchased from the Empire Transportation Company, and in satisfaction of mortgages and ground rents.

These payments were made without adding to the bonds or capital stock of the Company, the necessary funds being provided out of assets of the Company.

Prior to the year 1877, the item of real estate in the General Account of the Treasurer did not exhibit its total cost, but only the cost exclusive of the ground-rents and bonds and mortgages against the same, and under these last two items was shown only the balance between those owned by the Company and those held against it. The Board of Directors deemed it advisable, in order that both sides of the account should be presented in a clearer and more comprehensive form, that the cost of the real estate of the Company should

Net earnings, 1877, after deducting rentals and interest on equipment,	-	-	-	-	-	-	\$10,184,417 69
Net earnings, 1876, after deducting rentals and interest on equipment,	-	-	-	-	-	-	12,834,385 78
							<hr/>
Decrease in net earnings, 1877,	-	-	-	-	-	-	\$2,649,968 09
							<hr/>

The gross earnings per mile received from 358 miles of Main Line in 1876, were \$51,916.92, and in 1877, were \$46,773.35, showing a decrease per mile of \$5,143.57.

PENNSYLVANIA RAILROAD AND BRANCHES.

The whole number of passengers carried in 1876 was 6,926,016, and in 1877 was 5,129,931, showing a decrease of 1,796,085.

The average distance travelled by each passenger in 1876 was $41\frac{6}{10}$ miles, and in 1877 was $27\frac{9}{10}$ miles, showing a decrease of $13\frac{7}{10}$ miles.

The number of tons of freight moved in 1877, including 700,099 tons of fuel and other materials for Company's use, was 10,438,394 tons, embracing 4,953,892 tons of coal.

It was the previous year 10,600,547 tons, showing a decrease of 162,153 tons, or about $1\frac{5.3}{100}$ per cent., while the increase in coal tonnage was 115,996 tons.

The gross earnings of the Branch lines leased and owned by the Pennsylvania Railroad Company, excepting the Philadelphia and Erie railroad and the United Railroads of New Jersey, and the Delaware and Raritan Canal, were:

In 1877, 697 miles in length,	-	-	-	-	-	\$2,233,597 80
In 1876, 605 " " "	-	-	-	-	-	2,201,838 61
						<hr/>
Showing an increase from Branches of	-	-	-	-	-	\$36,759 19
						<hr/>

The gross earnings of Branch lines operated by your Com-							
pany in 1877, as already stated, were	-	-	-	-	-	\$2,238,597	80
The expenses of operating them, including rentals and interest							
on equipment, were	-	-	-	-	-	2,121,556	58
Showing a direct net profit of	-	-	-	-	-	\$117,041	22

The actual cost of operating your Main Line in 1877, excluding branches, was $55\frac{47}{100}$ per cent. of its receipts, and including branch lines, $56\frac{63}{100}$ per cent. In 1876 the cost of operating your Main Line, excluding branches, was $58\frac{70}{100}$ per cent., and including branches, $59\frac{90}{100}$ per cent.

The actual cost of operating the United Railroads of New Jersey, including branches and the Delaware and Raritan Canal, in 1877, was $69\frac{5}{100}$ per cent. of the receipts from transportation; in 1876 it was $58\frac{8}{100}$ per cent.

The actual cost of operating the United Railroads of New Jersey, including branches, and excluding the canal, in 1877, was $71\frac{3}{100}$ per cent. of the receipts from transportation; in 1876 it was $56\frac{9}{100}$ per cent., the increased percentage for 1877 being due to the heavy falling off in passenger receipts as compared with the Centennial year.

The actual cost of operating the Delaware and Raritan Canal was $53\frac{28}{100}$ per cent. of its receipts; in 1876 it was $59\frac{40}{100}$ per cent.

TRAFFIC STATISTICS.

The following tables show the movement of tonnage, and the mileage of the same, over your lines east of Pittsburgh and Erie for 1877, as compared with the preceding year.

TONNAGE MOVEMENT OVER LINES EAST OF PITTSBURGH.

	1877.	1876.	Increase.	Decrease.
Main Line and Branches...	9,738,295	9,922,911	.....	184,616
United Railroads of New Jersey	3,962,523	3,912,972	49,551	
Philadelphia and Erie.....	2,681,450	2,517,470	163,980	
Delaware and Raritan Canal.....	2,023,443	1,897,708	125,735	
Totals	18,405,711	18,251,061	339,266	184,616
Net increase.....			154,650	

NOTE.—The Belvidere Delaware Railroad having been operated during 1877 under lease to and as part of the United Railroads of New Jersey, its tonnage is included in that Division, while in the statements submitted in the Report for 1876, it appeared separately.

TONNAGE MILEAGE ON LINES EAST OF PITTSBURGH.

	1877.	1876.	Increase.	Decrease.
Main Line and Branches.....	1,494,798,198	1,629,742,021	.....	134,943,823
United Railroads of New Jersey.....	256,134,099	251,606,474	4,527,625	
Phila. and Erie.....	335,727,141	340,390,703	.....	4,663,562
Del. & Raritan Canal	93,800,450	87,814,458	5,985,992	
Totals.....	2,180,459,888	2,309,553,656	10,513,617	139,607,385
Net decrease				129,093,768

Your special attention is directed to the following table, showing the revenue and cost per ton per mile, on each Division operated by the Pennsylvania Railroad Company.

FREIGHT.	Pennsylvania R. R. and Branches.	United R. R. of New Jersey and Branches.	Philadelphia and Erie R. R.	All lines east of Pitts- burgh and Erie.
Length of Road (miles).	1,055	373	288	1,716
Average earnings per ton per mile from transportation of freight.	0 ⁹⁸⁰ / ₁₀₀₀	1 ⁵¹⁰ / ₁₀₀₀	0 ⁷⁸⁶ / ₁₀₀₀	1 ⁰¹³ / ₁₀₀₀
Average cost of transporting each ton of freight one mile	0 ⁵⁵² / ₁₀₀₀	1 ¹⁵⁹ / ₁₀₀₀	0 ⁴⁸³ / ₁₀₀₀	0 ⁶¹⁵ / ₁₀₀₀
Average profit per ton per mile	0 ⁴²⁸ / ₁₀₀₀	0 ³⁵¹ / ₁₀₀₀	0 ³⁰³ / ₁₀₀₀	0 ³⁹⁸ / ₁₀₀₀

The Main Line shows an increased revenue of nearly a mill per ton per mile as compared with 1876, while the cost of carrying was reduced to a fraction over 5½ mills, yielding a gratifying increase in net revenue from that source. The United Railroads of New Jersey Division, while showing a decreased earning was operated at a greatly reduced cost, so that the net profit per ton per mile was double that of last year; the Philadelphia and Erie also showing an increased profit per ton per mile. The expense of moving fuel and other material for Company use is charged against the paying tonnage, and embraced in the cost shown in the above table.

The statements given beneath embrace the passenger statistics for the year :

PASSENGERS ON ALL LINES EAST OF PITTSBURGH.

	1877.	1876.	Decrease.
Main Line and Branches.....	5,129,931	6,926,016	1,796,085
United Railroads of New Jersey.....	7,384,725	10,745,790	3,361,065
Philadelphia and Erie.....	493,176	691,561	198,385
Total.....	13,007,832	18,363,367	5,355,535

PASSENGER MILEAGE ON LINES EAST OF PITTSBURGH.

	1877.	1876.	Decrease.
Main Line and Branches.....	143,153,521	288,312,089	145,158,568
United Railroads of New Jersey.....	143,132,968	312,471,059	169,338,091
Philadelphia and Erie.....	12,466,241	22,425,613	9,959,372
Total.....	298,752,730	623,208,761	324,456,031

The large decrease in number and mileage of passengers as compared with 1876, is explained by the exceptional volume of travel during the Centennial year.

The following table shows the earning and cost per passenger per mile on each of the Divisions :

PASSENGER.	Pennsylvania R. R. and Branches.	United R. R. of New Jersey and Branches.	Philadelphia & Erie R. R.	All lines east of Pitts- burgh and Erie.
Length of Road.....	1,055	373	288	1,716
Average earnings from each passenger per mile.....	$2\frac{363}{1000}$	$2\frac{225}{1000}$	$2\frac{989}{1000}$	$2\frac{323}{1000}$
Average cost of transporting each pas- senger one mile.....	$1\frac{751}{1000}$	$1\frac{670}{1000}$	$3\frac{444}{1000}$	$1\frac{784}{1000}$
Average profit per passenger per mile....	$0\frac{612}{1000}$	$0\frac{555}{1000}$	Loss, $0\frac{455}{1000}$	$0\frac{539}{1000}$

Of the 9,738,295 tons moved upon the Main Line, 1,307,787 were through freight and 8,430,508 local freight. It will be seen from this statement that the local freight of the line was more than six times the amount of the through tonnage, so that much the larger portion of its revenue is derived from its local business.

The volume of east bound tonnage was more than double that of west bound, although there was a decrease in east bound through freight of $22\frac{93}{100}$ per cent. or 303,208 tons, and in local of 78,263 tons. The decrease in through tonnage occurring during the first part of the year was due to the short crops of 1876, and to the complete embargo placed upon the movement of freight through Pittsburgh for ten days by the riots occurring in that City in July last. The decrease shown in east bound local freight was in petroleum and gas coal; the coke traffic east is increasing steadily. The local trade west bound showed an increase of 201,399 tons.

The road bed and track of your Main Line are in even better condition than in 1876. The entire track is now laid with steel rails of 67 pounds to the yard, and can be maintained in the future at the minimum cost.

On the Main Line and branches 4,028 tons of steel rail and 244,699 ties were used in renewals and 2,580 tons of steel and 84,976 ties in construction during the year.

The bridges received especial attention, and in addition to the substitution of the double track iron superstructure already alluded to over the Susquehanna at Rockville, boiler-plate girder bridges were put up at a number of points. The truss bridge (No. 11) over the Little Juniata was also replaced by a three arch stone bridge.

In consequence of the destruction of your property at Pittsburgh a new passenger station was built at that point, and a transfer station at Twenty-sixth street. The round house on Twenty-eighth street was rebuilt, and another for passenger engines is now being built west of Thirty-third street. Shops for running repairs are almost completed west of Twenty-eighth street, and such arrangements have been made that the traffic to and from that City will be handled promptly and economically.

In replacing the tracks destroyed, they have been so arranged that the two north tracks are reserved exclusively for freight and the two south tracks for passenger business between East Liberty and Pittsburgh, a distance of five miles. The sidings have also been so remodelled that the east and west bound freights are kept separate, the former using the yard from Twenty-eighth street to Thirty-third street, and the latter that from Fourteenth to Twenty-eighth street.

The statistics for the year show a still further improvement in the loads of engines, and in the number of tons carried.

There were rebuilt in the shops of the Company 24 engines and 729 box and coal cars to fill vacant numbers, and in addition thereto 7 passenger, 3 postal, 3 baggage and 2 combined passenger and baggage cars. The car equipment was increased by the addition of 17 four-wheeled cabin cars and 11 postal cars.

The large saving shown in the operation of the Main Line, and also of the New Jersey Division, is due mainly to the great improvement which has been effected in the past few years in both road and equipment.

On the New Jersey Division 1,874 tons of steel rail, and 303,984 ties were placed in the track. The work of improving the line through the Bergen Cut is being carried forward, and advantage taken thereof to secure material for the line, which is now stone ballasted from Jersey City to Elizabeth.

The wooden bridge over the Raritan river at New Brunswick is now being replaced by a stone and iron structure.

To facilitate the transfer of passengers between Jersey City and Brooklyn, a line of boats running directly between the two cities has been established by the Brooklyn Annex company.

The condition of the Philadelphia and Erie Division has been fully maintained throughout the year, and a number of improvements made for the better accommodation of the traffic: 5,156 tons of steel rail, and 156,726 ties were placed in the track.

The west bound tonnage of that line shows a gratifying increase, both through and local, the latter principally in anthracite coal.

The following shows the results for the past year of the Pennsylvania Canal Company, and also of the various coal properties in which you are interested.

PENNSYLVANIA CANAL COMPANY.

Gross receipts,	-	-	-	-	-	-	\$299,915 14
Expenses, -	-	-	-	-	-	-	153,120 51
							<hr/>
Net earnings, 1877,	-	-	-	-	-	-	\$146,794 63
Deduct interest on 1st mortgage bonds,	-					\$5,400 00	
Deduct interest on general mortgage bonds,	-				180,000 00		
							<hr/>
							185,400 00
							<hr/>
Loss for 1877,	-	-	-	-	-	-	\$38,605 37
An increased loss as compared with 1876 of	-	-	-	-	-	-	<u>\$21,148 62</u>

SUSQUEHANNA COAL COMPANY.

Receipts from sales of coal, &c.,	-	-	-	-	\$1,435,477 79
Expenses,	-	-	-	-	1,327,298 86
					<hr/>
Net earnings, 1877,	-	-	-	-	\$108,178 93
From which deduct—					
Amount charged off for depreciation of land, and reduction in value of coal and other property on hand,	-	-			77,842 85
					<hr/>
Net earnings,	-	-	-	-	\$30,336 08
Deduct also—					
Interest on funded debt,	-	-	-	\$120,000 00	
Interest on purchase money mortgages,	-			27,374 54	
Interest and discount,	-	-	-	4,446 42	
				<hr/>	151,820 96
					<hr/>
Balance to debit of profit and loss for 1877,	-	-			\$121,484 88
Balance to credit of profit and loss for 1876,	-	-			14,060 06
					<hr/>
Being a difference of	-	-	-	-	\$135,544 94

It should be noted that large sums were included in the expenses for the year for building new trestles, sinking sumps and shafts, rebuilding brick store destroyed by fire, and other items of extraordinary expenditure, aggregating \$27,514.77, and also local and state taxes amounting to \$23,501.59 being over $4\frac{1}{2}$ cents per ton on the 520,319 tons coal mined. The average receipts for the coal at point of sale were $\$2.60\frac{7}{10}$ per ton.

SUMMIT BRANCH RAILROAD COMPANY.

Receipts from sale of coal and rents,	-	-	\$862,860	50
Receipts from freight and passenger traffic, mails,				
&c.,	-	-	153,317	41
				<u>\$1,016,177 91</u>
Expenses, mining, selling, and shipping coal and depreciation in the value of coal on hand during the year,	-	-	\$779,262	63
Expenses operating railroad (including \$62,500 rental paid Lykens Valley Railroad Company),	-	-	126,638	25
				<u>905,900 88</u>
Net earnings, 1877,	-	-	-	<u>\$110,277 03</u>
From which deduct—				
Interest on funded debt,	-	-	\$63,000	00
Interest and discount,	-	-	17,009	71
Taxes, etc.,	-	-	3,000	00
				<u>83,009 71</u>
Net profit for the year,	-	-	-	<u><u>\$27,267 32</u></u>

Being a decrease of net profit as compared with 1876 of \$60,473.14.

The number of tons of coal mined was 264,468 tons, and the average price received therefor at point of sale was $\$3.22\frac{6}{10}$ per ton.

LYKENS VALLEY COAL COMPANY.

Gross earnings,	-	-	-	-	-	-	\$213,687 68
Expenses, including reduction in value of coal on hand,	-	-	-	-	-	-	388,219 91
<hr/>							
Loss for 1877,	-	-	-	-	-	-	\$174,532 23
Add tax on capital stock,	-	-	-	-	-	-	296 49
<hr/>							
Debit to profit and loss for the year,	-	-	-	-	-	-	\$174,828 72
<hr/>							

Being an increase in loss as compared with 1876, of \$34,990.33. This Company produced during the year 65,210 tons of coal, the average price per ton received for the same at point of sale being \$3.18 $\frac{3}{10}$.

MINERAL RAILROAD AND MINING COMPANY.

Receipts,	-	-	-	-	-	-	\$856,655 89
Expenses, taxes, &c.,	-	-	-	-	-	-	801,954 42
<hr/>							
Net earnings for 1877,	-	-	-	-	-	-	\$54,701 47
Less amount paid for royalty on coal,	-	-	-	-	-	-	7,301 50
<hr/>							
Net profit for the year,	-	-	-	-	-	-	\$47,399 97
<hr/>							

This Company produced 309,720 tons of coal, the average price received at point of sale per ton being \$2.71 $\frac{6}{10}$.

The aggregate tonnage produced during 1877 from the coal properties controlled by your Company was 1,159,720 tons, being a decrease as compared with 1876 of 126,222 tons. The operations of all these properties were seriously interfered with by the strike that prevailed in the anthracite region during a portion of the year, and in addition thereto, the production of the Lykens Valley Coal Company was greatly reduced by the fire which broke out in

the Short Mountain Slope on the 1st of January, 1877. It required six weeks to extinguish this fire, which could only be accomplished by flooding the mine with water, and as extensive repairs were necessitated thereby the Company was deprived of the use of this colliery during the entire year.

The unfavorable results shown above are due to the exceptionally low price received for coal, owing to the severe competition between the large coal producing companies of the anthracite region, and in the absence of arrangements for harmonizing the supply of coal with the demand the market was overstocked during the greater part of the year. The evils resulting from this state of things became so serious that measures were taken by the various coal companies to correct them, and which it was thought would give proper protection to the varied and vast interests of the anthracite region. No reason could be perceived why the mines should continue to produce more coal than could be consumed. After much deliberate consideration of all the interests involved by those having the active management of these coal properties, an arrangement was consummated between the various anthracite companies, which they believe will in the future prevent over production, and better regulate the supply to the demand. All your coal properties have been kept in good repair during the year; the system of development adopted some time since will be continued, and such improvements made in the working of the several regions that an increased economy will be effected in their operation.

It is hoped that the serious troubles from which your coal companies, in common with others, suffered during the months of July and August will not occur again, and that, under the arrangements proposed by the several coal companies, better results will be obtained.

 LINES WEST OF PITTSBURGH.

The lines west of Pittsburgh, owned or controlled by your Company and operated by the Pennsylvania Company, show the following results for the year :

LINES WEST OF PITTSBURGH.

The total earnings of the Pennsylvania Company on lines operated by it, and through organizations worked under its control for the year 1877, were				-	-	-	\$23,042,574 15
The expenses for the same period were				-	-	-	15,044,982 34
Leaving net earnings,				-	-	-	\$7,997,591 81
From this deduct rentals, interest, dividends and liabilities of all kinds chargeable thereto, including the net earnings of the C. C. & I. C. Rwy., paid over to the receiver under order of Court, also interest on bonds, floating debt and other liabilities of the Pennsylvania Company,				-	-	-	7,925,673 95
Net profit on above lines west of Pittsburgh in 1877,				-	-	-	\$71,917 86

The detailed result of the working of each line is shown in Table C. annexed to the report.

In addition to the foregoing roads, the results of the following lines which are worked through their own individual organizations, and in connection with which liabilities have been assumed by the Pennsylvania Railroad Company, or its lines west of Pittsburgh, should be noted: St. Louis, Vandalia and Terre Haute R. R., Indianapolis and St. Louis R. R., St. Louis, Alton and Terre Haute R. R., Grand Rapids and Indiana R. R., Cincinnati, Richmond and Fort Wayne R. R., and Cleveland, Mt. Vernon and Delaware R. R.

These lines show an aggregate as follows:

Gross earnings, -	-	-	-	-	-	-	\$4,343,314 76
Expenses, -	-	-	-	-	-	-	3,131,030 67
							<hr/>
Net earnings, -	-	-	-	-	-	-	\$1,212,284 09
Deduct rental and interest and hire of equipment, amount-							
ing to -	-	-	-	-	-	-	1,921,382 20
							<hr/>
Loss for 1877, of	-	-	-	-	-	-	\$712,098 11
							<hr/>
Of this loss, your Company and the lines west of Pittsburgh							
in accordance with existing contracts are required to							
pay -	-	-	-	-	-	-	\$186,046 27
Deduct profit as before stated, of	-	-	-	-	-	-	71,917 86
							<hr/>
Net loss on all lines west of Pittsburgh,	-	-	-	-	-	-	\$114,128 41
							<hr/>

The difference between this amount and the balance to the debit of Profit and Loss shown by the Income Accounts of the Pennsylvania Company and the Pittsburgh, Cincinnati & St. Louis Railway Company, is due to the fact that the actual advances made by these Companies to their different lines during the year were \$12,514.60 less than the deficits shown by the operations of the roads.

The necessary advances to enable the Grand Rapids and Indiana Railroad Company to meet its interest have been made also by the Pennsylvania Railroad Company, which holds the coupons so purchased, and which, under the terms of its lease of the Fort Wayne Road, is the guarantor of \$4,000,000, being one-half of its first mortgage funded debt. The bonds to which these coupons belong are secured by a first mortgage, which covers, in addition to the road and

its equipment, 890,000 acres of land along the line in the State of Michigan. These lands were acquired from the State of Michigan, by the Continental Improvement Company in aid of the construction of the line, and by agreement between the Grand Rapids and Indiana Railroad Company and the Continental Improvement Company, were subsequently pledged as additional security for the bonded debt, on condition that the Improvement Company should receive the bonds purchased through the proceeds of these lands in lieu of the lands themselves. Of these bonds, \$1,010,000 were purchased by the Trustees of the first mortgage of the Grand Rapids and Indiana Railroad Company and delivered to the Continental Improvement Company, with the land guarantee cancelled; but under a subsequent arrangement made with the Pennsylvania Railroad Company these bonds are now, as purchased through the sales of land, converted into Income Bonds. \$451,000 have already been so converted, and through the plan adopted all of the remaining first mortgage bonds and their coupons that are purchased (under the guarantee of the Fort Wayne Railroad Company, before the lease of that line) will be paid, and Income Bonds issued in lieu thereof.

The entire \$1,461,000 of bonds referred to have been purchased with a portion of the proceeds of 180,810 acres, and there are now on hand \$547,000 of land notes and other assets received from such sale for the purchase of additional bonds. It is believed that the remaining lands (709,000 acres) will, in connection with the earnings of the Grand Rapids Railroad, enable it to pay off its first mortgage land grant bonds, and secure to your Company all the advances required from it.

The amount of \$229,590.66 was paid into the sinking fund, for the redemption of existing mortgages on the lines west of Pittsburgh, during the year 1877.

The amount of betterment expenditures during the year on all these lines was \$246,246.03, and the Pennsylvania Company received on account thereof and of expenditures previously made, \$717,375.08 in betterment securities and cash, leaving a balance still due the Pennsylvania Company on that account of \$337,671.89, which will be received almost entirely in the stock of the Fort Wayne Road, and in Cleveland and Pittsburgh bonds.

The Bills Payable of the Pennsylvania Company amounted at the close of the year to \$2,933,699.99.

Large amounts of steel rail were laid during 1877, embracing 8,887 tons on the Fort Wayne Road, 1,505 tons on the Cleveland and Pittsburgh and 6,168 tons on the Pittsburgh, Cincinnati, and St. Louis, and the Little Miami Roads, aggregating in all 16,560 tons; also 1,120 tons on the St. Louis, Vandalia, and Terre Haute Road, and 165 tons on the Indianapolis and St. Louis Road. There were laid 3,297 tons of new iron rails upon the Grand Rapids and Indiana Road and its leased lines.

The track and equipment of both your northwestern and southwestern lines were improved during the year, and are in excellent condition for the handling of traffic.

The number of tons of steel rail laid on all the lines east and west of Pittsburgh, owned, controlled or operated by your Company, was 31,483.

An increase of equipment having been found necessary to meet the wants of the southwestern lines, a Car Trust was created for this purpose, under which 1,000 box cars were delivered during the year to the Pittsburgh, Cincinnati and St. Louis Railway Company, which Company pays all the liabilities thereon as they mature, being \$107,000 per annum.

The freight car equipment of the Pittsburgh, Fort Wayne and Chicago Railway being at the present time insufficient to meet the demands of business upon that line, application was made to that Company to authorize the building of 1,500 additional freight cars, under the betterment clause of the lease. This authority has been given, and their construction will be commenced forthwith. With these additions, and the renewal of cars destroyed at Pittsburgh, your lines west of Pittsburgh will be in good shape to accommodate their growing traffic, and to meet the competition of other roads.

During the past year it was deemed to be for the best interests of your Company and of the Pennsylvania Company, that the latter should cancel its bonds bearing seven per cent. gold interest per annum, amounting to \$6,989,000, and issue in their place bonds to the amount of \$7,000,000, bearing interest at six per cent. per annum.

At the same time, in order to enable the Pennsylvania Company to become the owner of 14,181 shares of the special guaranteed stock of the Pittsburgh, Fort Wayne and Chicago Railway Company held by your Company, so that the Pennsylvania Company could, with 25,819 shares of the same stock previously owned by it, making together 40,000 shares of the par value of \$100 per share, amounting to \$4,000,000, deposit the same, as a collateral security, with the Philadelphia Trust Co., as Trustee, to secure its bonds to the amount of \$3,200,000, bearing interest at six per cent. per annum, payable quarterly, the Pennsylvania Railroad Co. sold to the Pennsylvania Company the said 14,181 shares for \$1,322,837.50, receiving in payment thereof, the following :

5,091 shares Louisville Bridge Co., at par \$100,	-	-	\$509,100 00
2,300 " Little Miami Railroad Co., at par \$50 per share,			115,000 00
199 Indianapolis & St. Louis Railway Equipment bonds, @			
75 per cent.,	-	-	149,250 00
30 Erie & Pittsburgh Railroad Co. Construction bonds, @			
80 per cent.,	-	-	24,000 00
355 Pittsburgh, Cincinnati, & St. Louis Railway Co., consoli-			
dated bonds, @ 80 per cent.,	-	-	284,000 00
11 Pennsylvania Company's 1st Mortgage 6 per cent. bonds,			
@ 85 per cent.,	-	-	9,350 00
Note of the Pennsylvania Company of four months,	-	-	232,137 50
			<hr/>
			\$1,322,837 50

As the quarterly interest upon the special Fort Wayne stock is \$70,000, and the maximum interest upon the bonds secured thereby, which is constantly reduced as the bonds are redeemed, is \$48,000, the difference is applied quarterly, to the redemption of the principal of the bonds at par. The \$3,200,000 of Pennsylvania Company bonds were created for the purpose of reducing the floating debt of that Company, and all proceeds therefrom are so applied.

By the operations of this trust, the interest maturing quarterly upon these bonds will be paid out of the dividends received on the Fort Wayne stock, and the principal of the bonds will be extinguished within twenty years, leaving the ownership of the stock as an asset in the hands of the Pennsylvania Company. Under this plan \$22,000 of these bonds have already been retired.

SUMMARY OF LINES DIRECTLY OPERATED EAST AND WEST OF PITTSBURGH.

Gross earnings, all lines, from traffic, 1877,	-	-	-	\$54,159,720 33
" expenses, excluding rentals, interest, dividends, &c.,	-	-	-	34,022,329 40
				<hr/>
Showing net earnings,	-	-	-	\$20,137,390 93

FREIGHT TRAFFIC.

	Number of Tons.	Number of Tons one mile.
All Lines East of Pittsburgh and Erie, -	- 18,405,711	2,180,459,888
All Lines West of Pittsburgh, - -	- 14,870,384	1,459,762,931
	<u>33,276,095</u>	<u>3,640,222,819</u>

PASSENGER TRAFFIC.

	Number of Passengers.	Number of Pas- sengers one mile.
All Lines East of Pittsburgh and Erie, -	- 13,007,832	298,752,730
All Lines West of Pittsburgh, - -	- 7,753,123	244,344,440
	<u>20,760,955</u>	<u>543,097,170</u>

In addition to the lines operated directly by the Pennsylvania Railroad Company east of Pittsburgh, the results of which are shown in the tables to which your attention has been called, the following roads are controlled either through the direct ownership of their stock, or otherwise.

They are worked in harmony with your general system, but through their own organizations, and contribute largely to the traffic and revenue of the Main Line. The principal of these is the

NORTHERN CENTRAL RAILWAY,

which gives your lines a connection with the seaboard at the important terminal city of Baltimore, and extends thence via Harrisburg to Sunbury, where it connects with the Philadelphia and Erie Road. It also connects there with one of its leased lines, the Shamokin Valley and Pottsville Road, extending into the coal region at Shamokin and Mt. Carmel, thus furnishing an outlet for the production of the Mineral Railroad and Mining Company:

The Northern Central Railway Company also controls, through lease, the extension north from Williamsport to Elmira and Canandaigua, at which points it connects respectively with the Erie, and New York Central Railways.

Its gross earnings for 1877 were:

From Passengers,	-	-	-	-	-	-	\$698,177 40
" Freight,	-	-	-	-	-	-	3,152,692 66
" Express,	-	-	-	-	-	-	69,278 29
" Mails,	-	-	-	-	-	-	46,191 05
" Miscellaneous,	-	-	-	-	-	-	104,048 38
Total,	-	-	-	-	-	-	<u>\$4,070,387 78</u>

And the operating expenses were:

For Conducting transportation,	-	-	-	-	-	\$862,697 63
" Motive power,	-	-	-	-	-	709,405 30
" Maintenance of way,	-	-	-	-	-	844,164 89
" " cars,	-	-	-	-	-	255,441 69
" General expenses,	-	-	-	-	-	74,215 33
Total,	-	-	-	-	-	<u>\$2,745,924 84</u>
Leaving as net earnings,	-	-	-	-	-	<u>\$1,324,462 94</u>

In comparison with the year 1876, there was a decrease in gross earnings of \$299,537.72, equal to $6\frac{85}{100}$ per cent.

There was a decrease in expenses of	-	-	-	-	\$496,400 78
The increase in the net earnings was	-	-	-	-	<u>196,863 06</u>

Net earnings as above,	-	-	-	-	-	1,324,462 94
Received from dividends, interest, &c.,	-	-	-	-	-	250,584 56
						<u>\$1,575,047 50</u>

Deduct interest on all funded debt,	-	-	\$849,540 00
Interest and discount, taxes, &c.,	-	-	111,493 61
Rentals of leased roads, and all charges pertaining thereto,	-	-	552,308 50
			<u>1,513,342 11</u>

Balance of net income for 1877,	-	<u>\$61,705 39</u>
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On the first day of January 1877, the bonds of the York and Cumberland Railroad Company for \$500,000 became due, for the payment of which provision has been made by the Northern Central Railway Company, by the issue of its consolidated general mortgage bonds. These bonds were purchased by the Pennsylvania Railroad Company, and the bonds of the York and Cumberland Railroad Company paid off at maturity. The Pennsylvania Railroad Company also purchased an additional amount of the Northern Central Railway Company bonds, which with the \$500,000 above stated amounted in all to \$1,600,000. The proceeds of this further purchase were applied by the Northern Central Railway Company to the extinguishment of its bills payable, which have been reduced to \$376,557.77.

It will be noted that the net income of the Northern Central Railway Company in 1877 was \$1,575,047.50, and that the interest on all its bonded indebtedness was \$849,540.

A steady and decided improvement was effected in the condition of this road, and its equipment during the year: 6,219 tons of steel rail and 239,592 ties, were placed in the track.

THE BALTIMORE AND POTOMAC RAILROAD furnishes all your lines with an important connection with the National Capital, and also extends to Pope's Creek upon the Potomac River.

Gross earnings,	-	-	-	-	-	-	\$646,322 78
Expenses, -	-	-	-	-	-	-	534,534 21
							<hr/>
Net earnings,	-	-	-	-	-	-	\$111,788 57
Interest on funded debt and gold premium,	-					\$292,381 71	
Rents and interest on real estate mortgages,	-					2,659 00	
							<hr/>
							295,040 71
							<hr/>
Loss for 1877,	-	-	-	-	-	-	\$183,252 14
							<hr/>

The good condition of the property was fully maintained throughout the year.

In connection with the Baltimore and Potomac Road, there is also operated in your interest the Alexandria and Fredericksburg Railway, from the Potomac Bridge at Washington City to Quantico, forming a part of the through line to Richmond, Va., where it connects with the Richmond and Danville Railroad system, also controlled by your Company. These lines are the only ones in which your Company has any interest south of Baltimore.

The ALEXANDRIA AND FREDERICKSBURG RAILWAY has been in the hands of the Trustees of the bondholders for more than a year past, and is now in process of reorganization. Your Company controls nearly all of its bonds and capital stock.

Its operation for 1877 showed the following result :

Gross earnings,	-	-	-	-	-	-	-	\$119,645 91
Expenses,	-	-	-	-	-	-	-	95,237 57
								<hr/>
Net earnings,	-	-	-	-	-	-	-	\$24,408 34
From which deduct—								
Interest,	-	-	-	-	-	-	-	\$6,999 55
Expenses,	-	-	-	-	-	-	-	467 41
								<hr/>
								7,466 96
								<hr/>
Net for the year,	-	-	-	-	-	-	-	\$16,941 38

It is hoped that, after the reorganization, the road will show a net result sufficient to meet the interest on its capital account.

The RICHMOND AND DANVILLE system extends from Richmond to Charlotte and Goldsboro, and forms an important link in the Great Southern Route to Savannah, Charleston, Atlanta and New Orleans.

Its gross earnings were, -	-	-	-	-	-	\$1,455,278 64
Expenses, -	-	-	-	-	-	940,289 87
						<hr/>
Net earnings, -	-	-	-	-	-	\$514,988 77
Interest on funded debt, rentals, &c., -	-	-	-	-	-	598,082 43
						<hr/>
Showing excess of expenditures, -	-	-	-	-	-	\$83,093 66
						<hr/>

2,008 tons of steel rail were put in the track during the year.

This statement is for the fiscal year ending October 30, 1877.

CUMBERLAND VALLEY RAILROAD.

This road extends from Harrisburg via Hagerstown to Martinsburg, West Virginia, and furnishes a large traffic to your Main Line from the rich valley which it traverses.

Its gross earnings for 1877 were, -	-	-	-	-	-	\$509,492 55
Expenses, -	-	-	-	-	-	241,971 33
						<hr/>
Net earnings, -	-	-	-	-	-	\$267,521 22
Interest on funded debt, -	-	-	-	-	\$26,548 00	
Taxes, -	-	-	-	-	26,424 14	
10 per cent. dividend on capital stock, -	-	-	-	-	177,785 00	
						<hr/>
						230,757 14
						<hr/>
Net surplus, -	-	-	-	-	-	\$36,764 08
						<hr/>

The road and its equipment are in excellent condition.

THE ALLEGHENY VALLEY RAILROAD

extends from your Main Line at Pittsburgh to Oil City, furnishing an important outlet for the petroleum traffic of Pennsylvania, and also from Red Bank, a point 64 miles north of Pittsburgh, by the Low Grade Line to Driftwood on the Philadelphia and Erie Road.

The latter Division penetrates and develops one of the largest bituminous coal fields in the State.

Its gross earnings for 1877, were	-	-	-	-	\$2,492,079 93
Expenses,	-	-	-	-	1,347,108 49
Net earnings,	-	-	-	-	\$1,144,971 44
Deduct interest paid on \$1,000 first mtge. bond, River Division, which was redeemed and mtge. cancelled April, 1877,					35 00
Balance net income,	-	-	-	-	\$1,144,936 44
Interest on funded debt, exclusive of income bonds,	-	-	-	\$1,152,000 00	
Interest on real estate mortgages,	-			9,036 64	\$1,161,036 64
Deficit in income to meet fixed liabilities,	-	-	-		\$16,100 20
Out of the above net income of	-	-	-	-	\$1,144,936 44
the interest paid on funded debt was therefore as follows :					
General mortgage River Division, \$4,000,000. at					
7 $\frac{3}{16}$ per cent.,	-	-	-	-	\$292,000 00
First mtge. Low Grade Division, \$10,000,000, at					
7 per cent.,	-	-	-	-	700,000 00
					992,000 00
Balance after payment of interest on above mortgages,	-				\$152,936 44
Deduct interest on second mortgage \$3,200,000, at					
5 per cent.,	-	-	-	-	\$160,000 00
Interest on real estate mortgages,	-	-	-	9,036 64	169,036 64
Deficit in income to meet interest on all debts secured by above mortgages,	-	-	-	-	\$16,100 20
Interest on income bonds held by individuals,				\$165,265 50	
Of which there was contributed by other lines under traffic contract, and for which they received income bonds at par,				\$125,552 11	
Contributed by Alleg. Valley R. R.,				39,713 39	
Interest on income bonds, not entitled to contributions from other lines under traffic contract, paid in income bonds at par,	-	-	-	251,335 00	416,600 50
Deficiency for year 1877 in income to meet all liabilities,	-				\$432,700 70

The Company expended in construction \$104,881.90, and paid \$100,000 into its sinking fund.

There were laid on this road during the year 3,580 tons of steel rail, and the road bed and equipment are in better condition than ever before.

THE PITTSBURGH, VIRGINIA AND CHARLESTON RAILWAY extends from Birmingham up the Monongahela River to Monongahela City, a distance of 30 miles, and is intended to develop the important coal territory along that river.

Its earnings were	-	-	-	-	\$126,174 33	
Expenses,	-	-	-	-	91,534 00	
Net earnings,	-	-	-	-	-	\$34,640 33
Deduct interest and gold premium on bonds, all of which are owned by the Pennsylvania Rail- road Company,	-	-	-	-	\$115,380 92	
Interest on real estate mortgages,	-	-	-	-	14,139 00	
						129,519 92
Loss for 1877,	-	-	-	-	-	\$94,879 59

The bridge across the Monongahela River, near Turtle Creek, will be completed during 1878, and thus perfect the connection via the Pittsburgh, Virginia and Charleston Railway between your Main Line, at a point 13 miles east of Pittsburgh, and the Pittsburgh, Cincinnati and St. Louis Railway on the west side of the Monongahela River in the City of Pittsburgh, by a nearly level grade line. This will avoid the expense and delay incident to handling the heavy traffic that is interchanged between the Pennsylvania Railroad and its Southwestern lines through the yards at Pittsburgh, and over the 52 feet grades between Pittsburgh and Turtle Creek on the Main Line, and thus effect considerable economies in the movement of traffic, and increase the revenues of

this line. They will also be further increased by its extension 23 miles to Brownsville, which, with proper aid from the local interests to be benefited by its construction, can be built during 1878.

THE WEST JERSEY RAILROAD

is controlled through the lease of the Camden and Amboy Roads, and its main line extends from Camden to Cape May.

Its gross earnings were	-	-	-	-	-	-	\$595,025 04
Expenses, -	-	-	-	-	-	-	391,430 11
Net earnings, -	-	-	-	-	-	-	\$203,594 93
Interest on funded debt, &c.,	-	-	-	-	-	-	193,236 66
Net results, -	-	-	-	-	-	-	<u>\$10,358 27</u>

The road has many important glass and other manufacturing establishments on its line; does a very large fruit traffic, and also a large excursion business to and from the seaside during the summer season.

CAMDEN AND PHILADELPHIA STEAMBOAT FERRY COMPANY.

This ferry is operated, under a separate organization, over the Delaware River, between the cities of Philadelphia and Camden, and is an essential appendage to the working of your New Jersey system of roads.

Its gross earnings for 1877 were	-	-	-	-	-	\$143,005 10
Expenses, -	-	-	-	-	-	90,699 84
Net earnings, -	-	-	-	-	-	\$52,305 26
Interest, dividends, and taxes, -	-	-	-	38,246 44	-	
Amount charged off for depreciation of boats and fixtures, -	-	-	-	10,000 00	-	
						<u>48,246 44</u>
Net surplus, -	-	-	-	-	-	<u>\$4,058 82</u>

AMERICAN STEAMSHIP COMPANY.

This line, in which your Company is largely interested, and the maintenance of which is essential to the growth of your freight traffic as well as to the commercial and manufacturing interests of the City of Philadelphia, has shared during the past year in the depression which has affected all Trans-Atlantic traffic. The vessels have been maintained in excellent condition, their trips have been performed with great regularity, in quick time, and with entire freedom from casualty, and they are held in high esteem by the travelling public.

The fast freight line owned by the Empire Transportation Company, heretofore working over your system of roads to and from Western points via Erie and Philadelphia, Baltimore and New York, was purchased by your Company October 17th, 1877, and the business of that organization will be continued in the future under the title of the "Empire Line." Through the facilities furnished by this organization, a large business reaches your roads from Western lines not controlled by you, which otherwise would seek other channels. Under the arrangement made, your Company paid the Empire Transportation Company, in car trust certificates, \$1,650,000 for its ordinary freight equipment, consisting of 2,704 box cars, 200 stock cars, 100 gondola cars, and 400 rack cars, in all 3,406 cars: also \$900,000 in like certificates for its oil carrying equipment, embracing 1,308 tank cars. It also purchased all the pier and depot property, shops, offices and material for repair and construction of cars belonging to the Empire Transportation Company for the sum of \$450,000, which was paid for in securities owned by your Company. Under the arrangement as to car trust certificates, your Company has ten years in which to pay in quarterly instalments the \$1,650,000, and eight years in which to pay the \$900,000, six

per cent. interest on the amounts due being paid quarterly. The amount required for interest and instalments of principal is met by a portion of the sums which your Company has heretofore paid for the use of this equipment and the services rendered in connection with it, while under the plan consummated, your Company will, at the end of the terms named, be the absolute owner of the property. It is believed by your Board that the arrangement made for the purchase of the Empire equipment and facilities will be productive of beneficial results, and that the increased revenues resulting therefrom will provide for the payment of the equipment much within the time specified in the obligations of your Company.

No fast freight organization not owned by your Company now remains upon your lines.

Under the several Car Trusts which have been created by your Company since February, 1875, 3,500 8-wheeled coal cars have been placed upon your lines east of Pittsburgh, and 1,000 box cars on your Southwestern lines. The cars for your Lines east of Pittsburgh represented

a cost of	-	-	-	-	-	-	-	-	\$1,949,000
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those west of Pittsburgh,	-	-	-	-	-	-	-	535 000
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Total,	-	-	-	-	-	-	-	-	\$2,484,000
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Of which there had been paid up to December 31, 1877 :

On account of Lines east of Pittsburgh,	-	\$465,000
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West of Pittsburgh,	-	-	-	-	18,000
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Total,	-	-	-	-	-	-	-	-	\$483,000
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Leaving outstanding at that date,	-	-	-	-	\$2,001,000
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In addition to the portion of the principal thus paid, the rental upon the equipment has been paid quarterly. The aggregate

amount now required annually of your Company is \$389,384.64, which is charged to expenses. The Company by this plan saves the amount which would be otherwise paid for car service if the equipment used belonged to other parties, and upon the termination of the trusts this Company will own the cars without any increase of its construction and equipment account by reason of their acquisition.

GENERAL REMARKS.

The various plans adopted by the Trunk Lines during many years past to secure reasonable remuneration for the work done by them, failed to accomplish the desired results, and it was found that no system, which practically left the making of rates and the actual control of the business in the hands of irresponsible agents, could be permanent. An arrangement was therefore entered into on the first of July last between the four roads out of New York, by which the business from that city to points at or west of their termini was divided between them upon the basis of the actual volume of traffic which the roads had secured under open competition. As a result of this agreement, all west bound shippers have been placed on a perfect equality, and thus a fruitful source of complaint has been removed, and the fact that the rates now charged are below the average for the last five years, has made it evident to transporters, that no attempt will be made, by reason of the co-operation between the roads, to exact unreasonable charges. It is believed that the system adopted has not only yielded better returns to the companies, but that it will also, when fully tested and understood, secure, as it should, the support of all mercantile communities. Mr. Albert Fink, long connected with the Louisville and Nashville and other important railways of the country, and thoroughly versed in all matters connected with trans-

- portation, was appointed the Commissioner of the Trunk Lines, with his office in New York, and under his supervision all matters relating to the arrangement are conducted. The Western Lines, with a view of reaching like results, appointed an Executive Committee, through whom east bound rates were to be strictly maintained (the Presidents of the Trunk Lines being requested in case of the failure of any Western Road to maintain the rate, to charge full local rates on its shipments on their way to the seaboard); and endeavored in other ways to effect a permanent settlement of the differences constantly arising between them in regard to the maintenance of the traffic charges. It has, however, been found impracticable to secure the result aimed at through the course adopted, and for some time past, although the roads have been unable to furnish the necessary facilities for the heavy traffic pressing upon them, the east bound rates have not been fully maintained, and the roads have been thus prevented from earning the revenues to which they were justly entitled.

It is hoped and believed that the experience of the Trunk Lines will satisfy their western connections that the only true remedy for the present difficulty is to adopt a system on east-bound traffic similar to that prevailing on west bound traffic out of New York. There is no practical difficulty in fixing upon the proportions of competitive traffic to which each of the lines may be entitled from the several important trade centres of the West. Should this be accomplished all east bound shippers will be placed on an entire equality; discriminations avoided, and the business of the country conducted on a regular basis, much fairer to all interests than the course heretofore pursued.

In consequence of the continued depression in all the industries of the country, causing further decrease of revenue, your Board made a reduction of ten per centum in the compensation of all offi-

cers and employés, taking effect from the 1st of June, 1877. It was hoped that this measure would be but a temporary one, and that with a revival of business, your Company would soon be able to pay increased compensation, and give full time and employment to all the men. It was clearly understood that a larger number of employés had been retained in the service than could be fully employed in the business of your Company, but your officers knowing the individual distress that must have resulted from the dismissal of a large number of the men, endeavored to avoid this by dividing the work among all, and thus giving each one a chance at least to earn a livelihood. The plan was also desired by many of your oldest and best men. Under this arrangement about 18,000 men were kept upon your Company's rolls, a great majority of whom were steady, industrious and reliable, and from their long connection with your lines were closely identified with your interests and proved themselves thoroughly loyal to the Company. The reduction of wages referred to was not only necessitated upon your lines, but the same course was pursued by other leading lines of railway, and also by the business men of the country engaged in commercial, manufacturing and industrial pursuits.

Unfortunately some of the men in the service of the various railways, instead of co-operating with the companies, and influenced by a public sentiment prevailing in certain localities and the action of bad men connected with other branches of business, took advantage of the opportunity thus offered them to stir up a feeling of discontent among their comrades, and finally incited them to commit such acts of lawless violence as had never before disgraced the railway service of the country. The action of your Company as above stated, not having been appreciated, it has changed its policy and has now in service only the number of men to whom employment for nearly full time can be given, and who therefore earn better wages than they did under the system pursued prior to the

troubles referred to. It is hoped that the present depression will soon end, and that with improved results a higher rate of compensation can be paid to your employés.

In this general connection your Board desire to state that they now have under consideration a plan for the organization of a Fund for the benefit of such of your employés as may be disabled, killed, or superannuated in the service, which it is believed will strengthen the relations between the Company and the men, and establish on a firm basis the common interest that exists between them.

Your attention has already been directed in this report to the outbreak at Pittsburgh on July 19, causing the entire suspension of the freight traffic at that point for a period of ten days: in addition to the great loss of revenue thereby sustained by the Company, millions of dollars worth of valuable property were totally destroyed by fire. As soon as the trouble began the authorities of the City of Pittsburgh were notified, and their aid invoked to suppress the disturbance. Their efforts proving unsuccessful, the Sheriff of Allegheny County, in accordance with law, made a requisition upon the Governor of the State for a military force, which was promptly furnished. In endeavoring to restore order a collision occurred between the troops and the mob on the afternoon of July 21, in which several of the soldiers and a number of the rioters were killed and wounded. The rioters were then joined by large numbers from the various manufactories and mines in the City of Pittsburgh and its vicinity, and further reinforced by the idle and vicious classes which exist in all large communities, and which were attracted to the spot by the opportunity offered for plunder and pillage. On the night of July 21-22 the terrible destruction of property occurred, which is particularly stated hereinafter, and the movement of freight trains through Pittsburgh was entirely prevented. This state of things continued practically until the night of the

28th of July. During the interval, Governor Hartranft having reached the city, assumed command of the State troops, which had been reinforced by detachments of United States regulars and marines forwarded by the General Government on the Governor's requisition. The Governor at once inaugurated the most energetic measures for the restoration of peace and order, and arrangements were made through which the freight traffic of the road was resumed on the following morning, and many of the ringleaders in the late disturbance were promptly arrested by the civil authorities. By that time the citizens of Pittsburgh, appreciating the responsibility resting upon them, had taken measures to strengthen the hands of the civil authorities; to enforce the law and restore order, and thus enable the public to resume their business without further molestation.

A large force was immediately put to work to remove the debris of engines, cars, tracks and buildings which covered the ground from Washington street to Thirty-third street, between which points the Company had lost all its shops, engine-houses, offices, depots and all other property capable of being destroyed by fire, including the Union Depot and Hotel; in short, every one of the thirty-nine buildings owned by it except the oil house on Twenty-eighth street. In this destruction were included 104 locomotives, 46 passenger cars and 506 freight cars, the whole loss aggregating about \$2,000,000. In addition thereto, the actual revenue lost by the Company through this stoppage of its traffic, is estimated at \$1,000,000, and the value of the merchandise in transit destroyed at from \$1,000,000 to \$1,500,000. In addition to the above, 20 passenger and 861 freight cars, together with their contents, and valuable buildings belonging to your Western lines were destroyed, and a large amount of property belonging to outside companies and individuals, including the large grain elevator at Pittsburg; so that the entire loss will probably exceed \$5,000,000.

In accordance with the laws of Pennsylvania, suits are being instituted against the County of Allegheny to recover the damages thus sustained by your Company and by other Companies and individuals, and no doubt is entertained that the amounts found to be due will be recovered. Pending the settlement of these claims, your Board has not deemed it expedient to reduce on your books the value of the property destroyed.

The same spirit of revolt which prevailed at Pittsburgh existed also at Derry, Johnstown, Altoona, Harrisburg, Columbia and Philadelphia, and at Erie and other points, but no property was destroyed or violence committed at any of those places. At Harrisburg and elsewhere the law-abiding citizens of the several communities speedily united to enforce law and order, and deserve credit for the prompt and vigorous action taken by them. At Philadelphia especially, the Company and the community at large were greatly indebted for immunity from loss and for the preservation of order, to the admirable and energetic conduct of His Honor, William S. Stokley, Mayor of the City, and the services of the large and excellent police force under his charge, to whom too much credit cannot be given.

Your Board have from time to time considered the subject of a readjustment of all the liabilities of the Company on a lower basis of interest, and of devising a plan for effecting it in a safe and permanent form that will enable your lines, through moderate rates of transportation, to meet the general interests of the country. The fact that the rate of interest on capital invested in new enterprises is being steadily reduced in this country, and the still broader fact that the permanent charges for use of capital in the future will, in the judgment of your Board, rule much below the rates that have prevailed in the past and that now measure the fixed charges of your own and most of the other lines of the country, present to the minds of your Directors

strong reasons why the process of a gradual and steady reduction of these liabilities should now be commenced, and be persevered in so that your financial position will be made very strong and your securities be free from the violent fluctuations that are caused from time to time by the vicious policy inaugurated by other interests upon competitive business. Your Company will thus be enabled to handle that traffic at such rates as will always command for your lines a large and increasing business and make them useful and valuable in the highest degree as transporters, and of increasing value to your shareholders. This important matter has received their earnest attention, and they are of the opinion that this can be effected by the adoption of the following general plan, through which they believe the best interests of the shareholders will be permanently protected and promoted:

That there shall be appropriated from the net earnings of the Company the sum of \$100,000 per month, commencing May 1st, 1878, which sum shall be deposited in a satisfactory Trust Company in the City of Philadelphia, if arrangements can be so made which will be approved by the Board, with which shall be associated two competent and responsible shareholders, as Trustees under a special trust, having for its object the purchase from time to time of the bonds and shares of other companies which are guaranteed by the Pennsylvania Railroad Company, and also the bonded debt of the Pennsylvania Company, except that portion of the Pennsylvania Company's bonded debt, the retirement of which is already provided for by the special trust of that Company hereinbefore stated: The purpose being to ultimately reduce all the liabilities above referred to; the Trust to be in such form as your Board of Directors, under the advice of competent counsel, may find to be best adapted to protect and promote the interests of the Stockholders.

For the amount of \$1,200,000 per annum so appropriated from the net earnings to the trust, and such portion of the sum that

may be expended annually for construction and equipment purposes as will complete the amount of two per cent. per annum upon your capital stock, to wit \$177,404, the shareholders to be entitled to receive annually scrip equivalent to a dividend of \$1 per share redeemable at the option of the Company, bearing interest at four per cent. per annum, payable semi-annually, and in addition thereto, the balance of the net earnings in cash.

The income of the trust to be applied—

1st. To the necessary expenses of the trust.

2d. To the payment of interest upon the scrip so issued to the shareholders, and

3d. To the purchase from time to time of the outstanding guaranteed and other obligations as before stated.

The principal sum of the entire fixed obligations of your Company upon leased lines, and guaranteed securities, covering 3,405 miles of well-located railway lines and 408 miles of canal that are valuable to your own works, may be stated as follows:

UNITED NEW JERSEY RAILROAD AND CANAL COMPANY, including all Companies in which it was concerned as a guarantor,				-	-	-	-	-	\$47,205,675 00
PENNSYLVANIA RAILROAD COMPANY:									
All lines east of Pittsburgh and Erie,				-	-	-	-	-	35,450,266 66
All lines west of Pittsburgh and Erie,				-	-	-	-	-	95,360,351 45
									<hr/>
									\$173,016,293 11
Bonded indebtedness of the PENNSYLVANIA COMPANY,				-	-	-	-	-	7,000,000 00
									<hr/>
									\$185,016,293 11
Deduct amount of bonds redeemed and in sinking fund,				-	-	-	-	-	4,500,000 00
									<hr/>
The balance of these fixed liabilities is				-	-	-	-	-	\$180,516,293 11
									<hr/>
The average annual interest and guarantee thereon is $7\frac{4}{10}$									
per cent., or in round numbers				-	-	-	-	-	\$13,400,000 00
									<hr/>
Amount carried forward,									\$13,400,000 00

Amount brought forward,	\$13,400,000 00
To meet this obligation the net earnings for	
1877 from the Western Lines were -	\$7,269,557 09
From all lines east of Pittsburgh & Erie, after	
paying interest on the debt of the Penn-	
sylvania Railroad Company, and rental	
of its branch lines worked at their cost,	
for the same period, - - -	10,844,833 19
	<u>18,114,390 28</u>

Leaving a surplus, based upon the earnings of 1877, of \$4,714,390 28 to meet the instalments to the proposed trust; incidental liabilities of the various companies, and cash dividends upon the capital stock of the Pennsylvania Railroad Company.

If the general plan proposed by the Board shall be approved by the shareholders, it would ultimately result in the practical ownership of all the leased lines, or their assets and guaranteed liabilities, and as the scrip or debenture issued bearing 4 per cent. interest, would be redeemable at the option of the Company, it would be released from the necessity of raising large sums of money to meet maturing indebtedness. If the same plan were further continued, after the liabilities above stated had been so reduced to a four per cent. basis, the Company could also reduce its own bonded debt to the same basis, and if this is done it would then be enabled, by the same or even a less contribution to the fund, to pay off the scrip indebtedness which it had created, and the final result would be that all your property would be held by you practically free from bonded debt and liabilities, and would embrace 3,912 miles of well equipped railway and 403 miles of canal, controlling a large traffic, and upon which it ought always to earn for you reliable dividends. The Company would be greatly relieved through the operations of the trust, and the net earnings over the two per cent. represented by the scrip, could be devoted each six

months to cash dividends to the shareholders. Should it be deemed advisable during the operation of this trust, it is believed that the improved financial condition of the Company might enable it to place the amount of its present bonded debt at a greatly reduced rate of interest.

To illustrate the working of the trust, an appropriation of \$1,200,000 per annum, for a period of thirty years, would enable it to own for the shareholders, through the purchase of guaranteed stocks and bonds at rates yielding seven per cent. revenue to the trust, and through the accretions thereon after paying interest on the scrip issued to the shareholders out of the trust fund, not less than \$73,000,000. If the securities referred to could be purchased at rates yielding eight per cent. to the trust, then it would own at the end of the same period, \$94,000,000.

This computation is based upon the difference between the rates of interest paid on the money used in the purchase of the securities, and the earnings of the securities themselves; but the fund will be largely increased by the purchase of these securities below par. If the average price of purchase were fifteen per cent. below par, then the fund on the 7 per cent. basis would be increased to \$84,000,000, and on the 8 per cent. basis to \$108,000,000.

The cost of these securities to the shareholders would have been \$36,000,000, for which they would hold scrip, and upon which they would be paid interest every six months at the rate of four per cent. per annum out of the trust fund. As the last year of the trust shows an accumulation equivalent to about \$4,500,000, after the payment of interest on all scrip issued, it will be seen that with its continuance and its annual accretion, it will require a very limited term to accomplish the results stated.

The form of security which it is proposed to give to the shareholders, is very similar to that which has been created by many of the

English railways as a representation of capital, and is known as a terminable debenture, and which is considered a satisfactory security.

It will be seen from a careful examination of the plan proposed, that its results to the shareholders would be to make their entire property more secure under its existing obligations; give greater security in the future for the payment of regular dividends, and place an appreciating value upon the entire capital stock of the Company.

Your Board would therefore recommend to the favorable action of the shareholders, the resolution appended to this report.

The General Account of the Treasurer, with the Income Account and a complete list of the Stocks and Bonds held by the Company, are hereto annexed: together with the General, Income, and Profit and Loss Accounts of the Philadelphia and Erie Railroad Company, the Pennsylvania Company, and the Pittsburgh, Cincinnati, and St. Louis Railway Company; also the General, and Profit and Loss Accounts of the Allegheny Valley Railroad Company, and the General, and Income Accounts of the Grand Rapids and Indiana Railroad Company. The Reports of the Comptroller and General Manager of your Company will be published in connection with this report, in pamphlet form, for the use of the stockholders, and will show in detail the results of the operation of your lines.

The Board desire to express their acknowledgments to the officers of the Company, on whom the events of the past year devolved exceptional labors and responsibilities, and to the employés who remained faithful in the discharge of their duties.

By order of the Board.

THOMAS A. SCOTT,

President.

Resolved, That the creation of a trust, having for its object the purchase from time to time of the bonds and shares of other companies which are guaranteed by the Pennsylvania Railroad Company, and also of the bonded debt of the Pennsylvania Company, be, and it is, hereby approved; and that the in-coming Board of Directors be, and they are, hereby instructed and authorized to take such action, under the advice of counsel, as may, in their judgment, be lawful, necessary, and best adapted to create such trust and to accomplish the objects for which it is designed.

75

TREASURER'S STATEMENT.

GENERAL ACCOUNT.

[illegible]

GENERAL ACCOUNT.

CR.

		DURING YEAR 1877.	
		Increase.	Decrease.
By Balance standing on the Books of the Company for the Construction of the Railroad between Harrisburg and Pittsburgh, including Branches to Indiana, Hollidaysburg, and Morrison's cove, also Branch to connect with the Pittsburgh, Virginia and Charleston Railroad; also Bridge over the Susquehanna River at Columbia and Branch from Columbia to York, in all 325 miles and cost of Stations, Warehouses, and Shops, on the whole Road from Philadelphia to Pittsburgh.....	\$24,366,296 99	\$734,593 87	
" Balance standing on the Books of the Company for the purchase of the Philadelphia and Columbia Railroad.....	5,375,733 43		
" Balance to debit of Equipment of Road consisting of 938 Locomotives, 595 Passenger Cars, 183 Baggage, Mail, and Express Cars, 17,378 Freight Cars, and 1,367 Road Cars, including Shop Machinery and also including Equipment of Canal, consisting of Schooners, Barges, and Tugs.....	17,470,569 72	75,489 67	
" Cost of Real Estate of the Company and Telegraph Line	9,185,888 39	1,106,538 67	
" Extension of the Pennsylvania Railroad to the Delaware River, including Wharves and Grain Elevator.....	2,065,227 16	28,614 91	
Total amount charged to Construction, Equipment, and Real Estate Accounts for the Railroads between Philadelphia and Pittsburgh, comprising 1,067 ³ / ₁₆ miles of single track, (exclusive of Harrisburg and Lancaster Railroad 100 ¹ / ₁₆ miles) including Sidings, Stations, Warehouses, Shops, and Shop Machinery, Telegraph Lines, Canal Equipment, etc., etc.....	\$58,463,715 69		
OTHER ASSETS.			
By Cost of Bonds of Railroad Corporations.....	\$30,149,572 07		\$728 383 34
" Cost of Capital Stocks of Railroad Corporations.....	25,934,749 92		3,526,007 95
" Cost of Bonds and Stocks of Municipal Corporations, Coal Companies, Canal Companies, and Bridge Companies, and investments not otherwise enumerated.....	9,241,770 24		944,275 75
Total Cost of Bonds and Stocks belonging to the Company.....	65,326,142 23		
* By Insurance Fund.....	10,000 00		
" Mortgages and Ground Rents, receivable.....	190,988 31	187,488 31	
" Amount expended for the purchase of Anthracite Coal Lands, Hazelton, Hamilton, Eastwick and other Tracts.....	809,115 01		34,671 31
" Appraised Value of Securities owned by the United New Jersey Railroad and Canal Company and transferred with the lease of the Works of that Company.....	3,895,584 60		
" Equipment of Road and Canal owned by the United New Jersey Railroad and Canal Company, and transferred with the Lease of the Works of that Company.....	3,947,479 53		75,850 00
" Amount of Fuel and Materials on hand for repairs to Locomotives, Cars, and Maintenance of Way, viz:			
For the Pennsylvania Railroad.....	\$1,626,285 61		639,792 07
" United New Jersey R. R. & Canal.....	613,019 91		342,193 02
" Philadelphia and Erie Railroad.....	262,307 42		78,143 28
	2,501,612 94		
" Amount of Bills and Accounts Receivable, and amounts due from other Roads, including advances made to Railroad Corporations for Construction and purchase of Equipment used on their Lines, viz:			
Philadelphia and Erie Railroad Company.....	\$317,454 53	44,055 87	
United N. J. R. R. & Canal Co. Construction.....	254,505 33	156,608 75	
" Sinking Fund & Redemption Acct.....	\$66,970 00	20,900 00	
" Real Estate.....	330,237 97	58,318 34	
Other Companies.....	5,271,424 54		1,548,436 04
	7,040,592 37		
By Cash Balance in hands of the Joint Stock Bank, London, and other parties, to pay Coupons due in January, 1878.....	1,196,966 31		11,759 62
" Cash Balance in hands of Freight and Passenger Agents.....	\$1,727,624 34		30,776 43
" Cash Balance in hands of Treasurer.....	1,451,560 37		403,084 92
	3,179,484 71		
	\$146,561,684 70	\$2,592,608 39	\$8,363,373 73
	Less amount of increase ..	2,592,608 39	
	Total amount of decrease ..	\$5,770,765 34	

* The Insurance Fund actually represents an asset of \$500,000—invested in the following securities:

\$260,600—Susquehanna Coal Company's Bonds, at	\$221,261 09
51,000—Steubenville and Indiana Railroad Company's Bonds, at.....	40,800 00
280,700—Western Pennsylvania Railroad Company's Bonds, at.....	221,700 00
20,000—Summit Branch Railroad Company's Bonds, at.....	16,238 91
<u>\$611,700</u>	<u>\$500,000 00</u>

INCOME RECEIVED FROM SECURITIES OWNED BY PENNSYLVANIA RAILROAD COMPANY.

Allegheny Valley R. R. Bonds, old coupon account.....		\$210,000 00
Bald Eagle Valley R. R. Bonds.....		7,000 00
" " " Stock.....		9,205 00
Belvidere Delaware R. R. Bonds.....		42,000 00
Bell's Gap R. R. Bonds.....		1,050 00
Car Trust of Penn'a Stock.....		9,596 67
Central Stock Yard and Transit Co. Bonds.....		21,000 00
City of Philadelphia 6 per cent. Loan.....		150 00
Cincinnati and Muskingum Valley R. R. Bonds.....		26,320 00
Cincinnati Street Connection Bonds.....		91,300 00
County of Clark, Illinois, Bonds.....		1,193 45
Connecting Railway Stock.....		76,632 00
Cumberland Valley R. R. Stock.....		121,300 00
East Brandywine and Waynesburg R. R. First Mortgage Bonds.....		3,913 00
Erie and Pittsburgh R. R. Bonds.....		15,050 00
Frederick and Penn'a Line R. R. First Mortgage Bonds.....	\$1,050 22	
" " " Second " " 	3,316 35	
		4,376 61
Grand Rapids and Indiana R. R. Coupons.....		224,000 00
Harrisburg and Lancaster R. R. Stock.....		3,454 88
Indianapolis and St. Louis R. W. First Mortgage Bonds.....	\$30,800 00	
" " " Equipment " " 	4,000 00	
		34,800 00
" " Vincennes R. R. Bonds.....		2,880 00
Jersey City and Bergen R. R. Bonds.....		36,155 00
Jeffersonville, Madison, and Indianapolis R. R. Stock.....		134,519 00
Junction R. R. Stock.....		19,877 00
Keystone Hotel Co. Stock.....		6,000 00
Little Miami R. R. Stock.....		27,096 00
Louisville Bridge Stock.....		59,584 00
Millin and Centre County R. R. Bonds.....		6,000 00
Newport and Cincinnati Bridge Bonds.....		81,000 00
Northern Central Railway Second General Mortgage Bonds.....		60,000 00
Pennsylvania Canal Co. Bonds.....		28,020 00
" " Railroad First Mortgage Bonds.....		180 00
Pittsburgh, Ft. Wayne, and Chicago Railway Special Stock.....		49,633 50
Perth Amboy and Woodbridge R. R. Bonds.....		6,000 00
Pittsburgh, Cincinnati, and St. Louis Railway Bonds.....		14,875 00
Pullman Palace Car Stock.....		54,000 00
" " " Bonds.....		7,600 00
Pennsylvania Company First Mortgage Gold Bonds.....		91,885 25
Philadelphia and Erie R. R. Bonds, 6 per cent.....		60 00
Pennsylvania Steel Co. Stock.....		44,106 00
Railway Equipment Trust of Penn'a, Stock.....		1,040 00
Richmond and Danville R. R. First Mortgage Bonds.....	\$12,750 00	
" " " Consolidated Mortgage Bonds.....	83,803 31	
		96,553 31
Southwest Penn'a Railway Certificate of Indebtedness.....	\$184 33	
" " " Bonds.....	54,040 00	
		54,224 33
Shamokin Valley and Pottsville R. R. Bonds.....		60,771 72
Stenbenville and Indiana R. R. Bonds.....		17,640 00
St. Louis Vandalia, and Terre Haute R. R. Bonds.....		15,750 00
Susquehanna Coal Co. Bonds.....		35,220 00
Trenton Delaware Bridge Co. Bonds.....		19,133 34
Tyrone and Clearfield Railway Stock.....		70,000 00
United New Jersey R. R. and Canal Co. Stock.....		22,500 00
Warren and Franklin R. R. Bonds.....		33,740 00
Western Penn'a R. R. Bonds, General Mortgage.....	\$84,000 00	
" " " " Branch.....	16,620 00	
" " " " First Mortgage.....	600 00	
		101,220 00
West Jersey R. R. Stock.....		3,257 10
		\$2,165,862 16

December 31, 1877.

LIST OF BONDS

OWNED BY

THE PENNSYLVANIA RAILROAD COMPANY,

December 31, 1877.

NAME OF SECURITY.	No. OF BONDS.	RATE OF PAR.	PAR VALUE.
Alexandria & Fredericksburg Railway 1st Mtge. 7 per cent gold	998	1,000	\$998,000 00
Allegheny Valley R. R. Funded Debt Mtge. 7 per cent ..	3,712	1,000	3,712,000 00
Bald Eagle Valley R. R. 2d Mtge. 7 per cent.	100	1,000	100,000 00
Baltimore & Potomac R. R. 2d Mtge. Income 6 per cent.....	2,000	1,000	2,000,000 00
Bedford & Bridgeport R. R. 1st Mtge. 7 per cent.....	1,000	1,000	1,000,000 00
Bell's Gap R. R. 1st Mtge. 7 per cent.....	30	500	15,000 00
Belvidere Delaware R. R. Consolidated Mtge. 7 per cent....	1,200	1,000	1,200,000 00
Burlington County R. R. 1st Mtge. (Vincentown Branch) 6 per cent., overdue.....	30	500	15,000 00
Central Stock Yard & Transit Co 7 per cent.....	300	1,000	300,000 00
Cincinnati & Muskingum Valley R. R. 7 per cent.....	752	1,000	752,000 00
Cincinnati Street Connection Bonds 6 per cent.....	110	1,000	110,000 00
City of Philadelphia 6 per cent. Loan.....			2,773 75
Columbia & Port Deposit R. R. 1st Mtge. 7 per cent.	1,822	1,000	1,822,000 00
Columbus, Chicago & Indiana Central Railway \$5,000,000 Loan 7 per cent.....	1,258	1,000	1,258,000 00
Columbus, Chicago & Indiana Central Railway \$10,000,000 Loan 7 per cent.....	3,504	1,000	3,504,000 00
County of Clark, Illinois, Bonds, 8 per cent.....	15	1,000	15,000 00
Danville, Hazleton & Wilkesbarre R. R. 1st Mtge 7 per cent. {	173	1,000	264,000 00
	134	500	
	120	200	
East Brandywine & Waynesburg R. R. 1st Mtge. 7 per cent.....	44	500	112,900 00
	909	100	
East Brandywine & Waynesburg R. R. (New Holland Extension) 7 per cent	42	500	121,400 00
	1,004	100	
Erie & Pittsburgh R. R. Equipment Loan 7 per cent.....	230	1,000	230,000 00
Frederick & Pennsylvania Line R. R. Judgment.....			115,000 00
Frederick & Pennsylvania Line R. R. 1st Mtge. 6 per cent. gold	16	1,000	16,500 00
	1	500	
	7	1,000	
Frederick & Pennsylvania Line R. R. 2d Mtge. 6 per cent. gold {	4	500	52,400 00
	434	100	
Indianapolis & St. Louis R. R. 1st Mtge. 7 per cent.....	440	1,000	440,000 00
Indianapolis & St. Louis R. R. Equipment 8 per cent.....	249	1,000	249,000 00
International Navigation Co. 1st Mtge. 7 per cent.....	1,489	1,000	1,500,000 00
	17	500	
	25	100	
Amount carried forward.....			\$19,904,973 75

NAME OF SECURITY.	No. OF BONDS.	RATE OF PAR.	PAR VALUE.
Amount brought forward.....			\$19,904,973 75
Jersey City & Bergen R. R. 1st Mtge. 7 per cent.....	483	1,000	483,000 00
Lewisburg, Centre & Spruce Creek R. R. 1st Mtge. 7 per cent.....	1,899	1,000	1,899,000 00
Mifflin & Centre County R. R. 1st Mtge. 6 per cent.....	{ 160 200 }	{ 1,000 500 }	200,000 00
Newport & Cincinnati Bridge Co. 1st Mtge. 7 per cent.....	1,200	1,000	1,200,000 00
Northern Central Railway Consolidated General Mtge. gold 6 per cent.....	1,600	1,000	1,600,000 00
Northern Central Railway 2d General Mtge. 6 per cent.....	1,000	1,000	1,000,000 00
Pennsylvania Canal 1st Mtge. 6 per cent.....	467	1,000	467,000 00
Pennsylvania Company 1st Mtge. 6 per cent.....	7,000	1,000	7,000,000 00
Pennsylvania Company 6 per cent. Secured Loan.....	1,478	1,000	1,478,000 00
Pennsylvania & Delaware R. R. Judgment.....			6,834 42
Perth Amboy & Woodbridge R. R. 1st Mtge. 6 per cent. ...	100	1,000	100,000 00
Philadelphia & Erie R. R. 6 per cent.....	1	1,000	1,000 00
Pennsylvania R. R. 1st Mtge. 6 per cent.....	3	1,000	3,000 00
Philadelphia & Erie R. R. General Mtge., gold 6 per cent...	3,680	1,000	3,680,000 00
Pittsburgh, Cincinnati & St. Louis Railway Consolidated Mtge. 7 per cent.....	355	1,000	355,000 00
Pittsburgh, Virginia & Charleston R. R. 1st Mtge. gold 7 per cent.....	1,605	1,000	1,605,000 00
Pittsburgh, Wheeling & Kentucky R. R. 1st Mtge. Registered 7 per cent.....	100	1,000	100,000 00
Pullman Palace Car Bonds 8 per cent.....	95	1,000	95,000 00
Richmond & Danville R. R. Consolidated Mtge. gold 6 per cent.....	1,700	1,000	1,700,000 00
Richmond & Danville R. R. 1st Mtge. 6 per cent.....			212,500 00
Shamokin Valley & Pottsville R. R. 1st Mtge. gold 7 per cent.....	{ 715 180 }	{ 1,000 500 }	805,000 00
South West Pennsylvania Railway 1st Mtge. 7 per cent.....	713	1,000	713,000 00
Steubenville & Indiana R. R. 7 per cent.....	226	1,000	226,000 00
St. Louis, Vandalia & Terre Haute 2d Mtge. Convertible 7 per cent.....	225	1,000	225,000 00
Summit Branch R. R. 1st Mtge. 7 per cent.....	200	1,000	200,000 00
Susquehanna Coal Co. 1st Mtge. 6 per cent.....	457	1,000	457,000 00
Trenton Horse Car R. R. Bonds 7 per cent.....	10	500	5,000 00
Warren & Franklin R. R. 1st Mtge. 7 per cent.....	{ 304 358 }	{ 1,000 500 }	483,000 00
Western Pennsylvania R. R. General Mtge. 7 per cent.....	1,200	1,000	1,200,000 00
Western Pennsylvania R. R. 1st Mtge. 6 per cent.....	10	1,000	10,000 00
Western Pennsylvania R. R. Branch 6 per cent.....	{ 185 127 293 }	{ 1,000 500 100 }	277,800 00
TOTAL.....			\$47,722,108 17

LIST OF STOCKS

OWNED BY

THE PENNSYLVANIA RAILROAD COMPANY,

December 31, 1877.

NUMBER OF SHARES.	NAME OF SECURITY.	RATE.	PAR VALUE.
25,000	Allegheny Valley Railroad Stock.....	\$50	\$1,250,000
9,000	American Steamship Company Stock	100	900,000
3,682	Bald Eagle Valley Railroad Stock.....	50	184,100
60,852	Baltimore & Potomac Railroad Stock.....	50	3,042,600
300	Bells Gap Railroad Stock.....	50	15,000
666	Camden & Philadelphia Steamboat Ferry Company Stock.....	50	33,300
298	Car Trust of Pennsylvania Stock.....	1,000	298,000
6,500	Chartiers Railway Stock.....	50	325,000
22,000	Cleveland, Mt. Vernon & Delaware Railroad Common Stock.	50	1,100,000
25,544	Connecting Railway Stock.....	50	1,277,200
5,286	Cresson Springs Company Stock.....	25	132,150
4,744	Cumberland Valley Railroad Preferred Stock.....	50	237,200
19,516	Cumberland Valley Railroad Common Stock.....	50	975,800
18	East Brandywine & Waynesburg Railroad Stock.....	50	900
2,000	International Exhibition Company Stock.....	25	50,000
19,217	Jeffersonville, Madison & Indianapolis Railroad Stock.....	100	1,921,700
1,529	Junction Railroad Stock.....	50	76,450
1,000	Keystone Hotel Company Stock.....	100	100,000
27	Lewisburg, Centre & Spruce Creek Railroad Stock.....	50	1,350
153½	Lewistown & Kishacoquilla Turnpike Company Stock.....		1
7,924	Little Miami Railroad Stock.....	50	396,200
9,013	Louisville Bridge Stock.....	100	901,300
16,667	Mineral Railroad & Mining Company Stock, First Instal- ment.....		33,334
8,050	Newport & Cincinnati Bridge Company Preferred Stock.....	100	805,000
48,420	Northern Central Railway Stock.....	50	2,421,000
38,000	North Western Ohio Railway Stock.....	50	1,900,000
70,231	Pennsylvania Canal Company Stock.....	50	3,511,550
160,000	Pennsylvania Company Preferred Stock.....	50	8,000,000
59,900	Pennsylvania Company Common Stock.....	50	2,995,000
7,351	Pennsylvania Steel Company Stock.....	100	735,100
31,636	Philadelphia & Erie Railroad Company Common Stock.....	50	1,581,800
48,000	Philadelphia & Erie Railroad Company Preferred Stock.....	50	2,400,000
250	Philadelphia & Merion Railroad, First Instalment.....		1,250
80	Philadelphia & Southern Mail Steamship Company Stock.....	125	10,000
60,000	Pittsburgh, Cincinnati & St. Louis Railway Preferred Stock....	50	3,000,000
	Amount carried forward.....		\$40,612,285

NUMBER OF SHARES.	NAME OF SECURITY.	RATE.	PAR VALUE.
	Amount brought forward.....		\$40,612,285
8,100	Pittsburgh, Virginia & Charleston Railroad Stock.....	\$50	405,000
6,750	Pullman Palace Car Stock.....	100	675,000
3	Railway Equipment Trust of Pennsylvania Stock.....	1,000	3,000
6	Richmond & Danville Railroad Stock.....	100	600
3,541	River Front Railroad, First Instalment.....		17,705
7,089	South Western Pennsylvania Railway Stock.....	50	354,450
8,370	St. Louis, Vandalia & Terre Haute Railroad First Preferred Stock.....	100	837,000
43,804	Summit Branch Railroad Stock.....	50	2,190,200
16,885	Susquehanna Coal Company Stock.....	100	1,688,500
20,000	Tyrone & Clearfield Railway Stock.....	50	1,000,000
3,000	United New Jersey Railroad & Canal Company Stock.....	100	300,000
19,837	Western Pennsylvania Railroad Stock.....	50	991,850
1,551	West Jersey Railroad Stock, \$35 per share paid.....		54,285
	TOTAL.....		\$49,129,875

SUMMARY.

Par Value of Bonds.....	\$47,722,108 17
Par Value of Stocks.....	49,129,875 00
Total.....	\$96,851,983 17
Cost as per General Account.....	\$65,326,142 23

Earnings and Expenses of Main Line. Branches, and all Leased Roads, including the Delaware and Erie Canal, operated by the Pennsylvania Railroad Company, for the year ending December 31, 1877.

ROADS.	Length of Road.	Gross Earnings.	Working Expenses.	Interest on Equipment &c.	Rentals paid Branch Rds.	Total Expenses including Rentals and Interest on Equipment.	Profit.	Loss	Net profit after deducting Rentals and Interest on Equipment.
PENNSYLVANIA RAILROAD.—MAIN LINE AND BRANCHES OWNED BY THE PENNSYLVANIA RAILROAD COMPANY AND REPRESENTED BY ITS STOCK.									
Pennsylvania a Railroad including Empire and Green Line.....	358	\$16,744,858 45	\$9,287,846 43	.....	.....	\$9,287,846 43	\$7,457,012 02		
Columbia Bridge.....	1	23,228 60	17,529 22	.....	.....	17,529 22	5,699 38		
York Branch.....	12	46,494 33	26,242 66	.....	.....	26,242 66	20,251 67		
Hollydaysburg Branch.....	55	136,409 11	76,610 38	.....	.....	76,610 38	59,798 73		
Indiana Branch.....	19	43,515 19	37,259 26	.....	.....	37,259 26	6,255 93		
LEASED BRANCHES.									
East Brandywine and Waynesburg Railroad.....	28	32,293 39	20,244 80	\$1,607 50	\$10,441 00	32,293 39			
Pennsylvania and Delaware Railway.....	39	34,683 35	27,495 16	1,038 38	6,149 81	34,683 35			
Columbia and Port Deposit Railroad.....	39	14,355 90	13,113 80	645 20	636 90	14,395 90			
Mill and Centre County Railroad.....	12	33,551 89	20,256 25	2,106 34	11,189 29	33,551 89			
Sunbury and Lewistown Railway.....	44	169,119 72	62,832 32	3,146 40	43,471 00	103,449 72			
Bedford and Bridgeport Railroad.....	49	76,837 72	76,433 83	463 89	.....	76,837 72			
Tyrone and Clearfield Railway.....	61	425,841 93	279,708 68	12,322 89	105,554 99	397,586 56	28,255 37		
Bald Eagle Valley Railroad.....	54	136,962 39	81,878 16	.....	54,784 96	136,663 12	299 27	778 09	
Newry Railroad.....	1	314 54	1,122 63	.....	.....	1,122 63	.....	2,741 04	
Shensburg and Crookson Railroad.....	11	10,383 97	13,125 01	.....	.....	13,125 01	.....	.....
Western Pennsylvania Railroad.....	85	663,029 08	350,222 85	28,364 65	184,441 78	563,029 28	.....	.....
Southwest Pennsylvania Railway.....	43	299,758 92	159,168 24	9,551 10	131,039 58	299,758 92	.....	.....
Duville, Hazleton and Wilkesbarre Railroad.....	44	99,505 91	81,223 63	3,058 26	15,224 02	99,505 91	.....	.....
Lewisburg, Centre and Spence Creek Railroad.....	44	30,881 58	24,984 87	1,306 47	4,390 24	30,881 58	.....	.....
Hanover and York Railroad.....	19	55,367 28	35,185 43	2,173 33	17,708 52	55,367 28	.....	.....
Littlestown Railroad.....	9	16,706 54	15,503 56	732 38	.....	16,706 54	.....	.....
Frederick and Pennsylvania Line Railroad.....	28	48,956 26	42,911 46	3,022 54	3,022 26	48,956 26	.....	.....
Total Pennsylvania Railroad and Branches.....									
*United Railroads of New Jersey Division.....	1 055	\$18,983,156 25	\$10,751,138 61	\$69,479 42	\$588,784 95	\$11,409,403 01	\$7,577,572 37	\$3,519 13	
*Delaware and Erie Canal.....	293	7,355,325 80	5,165,924 22	.....	.....	5,165,924 22	2,191,401 58	.....
*Belvidere Delaware Railroad and Flemington Branch.....	66	896,569 65	477,606 78	.....	.....	477,606 78	418,962 87	.....
Philadelphia and Erie Railroad.....	80	708 8 1 78	586,170 26	38,516 27	84,115 25	708,801 78	.....	.....
.....	2-8	3,172,992 70	2,049,627 31	239,189 90	884,175 46	3,172,992 70	.....	.....
Add—Interest received from investments Pennsylvania Railroad.....									
" For use of equipment loaned to Branch Roads.....									
" Received from investments United New Jersey Railroads and Canal.....									
1,782	\$31,117,446 18	\$19,028,167 21	\$347,185 59	\$1,557,075 66	\$20,932,728 49	\$10,187,936 82	\$3,519 13		\$10,184,417 69
From which Deduct—									
Payments on account of United Railroads of New Jersey.....									
Rent of Harrisburg and Lancaster Railroad.....									
Interest on Bonded and Floating Debt.....									
Interest, State of Pennsylvania on account purchase Main Line.....									
Premium, exchange, &c.....									
									\$12,917,525 33
									\$10,184,417 69
									2,165,802 16
									345,720 09
									221,525 39
									\$12,917,525 33
									8,836,114 81
									\$4,581,410 52

Not balance.....

* Details of these to be found on Statement B below.

R. W. DOWNING, Comptroller.

B.—PENNSYLVANIA RAILROAD COMPANY.—ACCOUNTING DEPARTMENT.

Statement of Earnings and Expenses of the United Railroads of New Jersey and Delaware and Burlington and Camden and Delaware and Pennsylvania Railroad Companies, including amounts paid on account of Dividends, Interest on Bonds, Organization, Transit Duties, &c., during the year 1877.

1877.	Earnings.	Expenses.	Net Earnings.	Interest on Equipment.	Net Earnings after deducting interest on Equipment.	Excess of Expenses.	Paid on acct. of Dividends.	Paid on acct. of Interest on Bonds and Premium on Adv. to Bel. Exchange.	Paid on acct. of Interest on Mortgages.	Paid on acct. of Rentals.	Paid on acct. of Duty and Taxes.	Profits.	Loss.
New York Division.....	\$6,156,370 06	\$4,013,015 40	\$2,143,354 66		\$2,143,354 66		\$1,483,710 00	\$1,270,038 37	\$33,789 47	\$172,367 90	\$227,562 38		\$1,146,935 64
Amboy Division.....	952,609 98	890,999 51	61,610 47		61,610 47								
Perth Amboy and Woodbridge Railroad.....	13,848 58	23,504 54	9,655 96		9,655 96		1,632 00	6,000 00	100 00				17,857 96
Millston and New Brunswick Railroad.....	8,263 73	17,079 20	8,815 47		8,815 47		2,863 00		100 00				11,660 47
Rocky Hill and Kingston Railroad.....	3,437 88	14,036 97	10,599 09		10,599 09		1,122 00		100 00				11,821 09
Princeton Branch.....	7,851 35	15,329 31	7,477 96		7,477 96								7,477 96
Mercer and Somerset Railroad.....	9,569 29	31,171 33	21,602 04		21,602 04								23,233 04
Frankford and Holmesburg Railroad.....	5,998 41	8,901 38	2,902 97		2,902 97		3,000 00	3,500 00			270 00		9,672 97
Pemberton and Hightstown Railroad.....	22,788 59	33,816 86	11,028 27		11,028 27		20,529 00	11,200 00	500 00				43,257 27
Camden and Burlington County Railroad including Holly Railroad.....	151,558 90	90,520 70	61,038 20		61,038 20		22,015 50	21,000 00	500 00			\$16,622 70	2,086 35
Vincentown Branch.....	2,483 45	4,269 89	1,786 35		1,786 35		900 00						12,410 55
Mount Holly, Lumberton and Medford Railroad.....	7,748 42	8,969 97	1,221 55		1,221 55		5,739 00	5,250 00	200 00				3,435 13
Columbus, Kinkora and Springfield Railroad.....	12,677 16	12,309 16	368 00		368 00								246,959 37
Delaware and Raritan Canal.....	806,569 65	477,606 78	418,962 87		418,962 87		584,740 00		6,650 00		71,532 24		183,728 33
Belvidere Delaware Railroad and Flemington Branch.....	708 801 78	586,170 26	122,631 52		122,631 52				183,728 33		84,115 25		\$1,720,605 13
	\$8,960 637 23	\$6,227,701 26	\$2,732,935 97	\$38,516 27	\$2,769,449 36	\$74,969 66	\$2,125,783 50	\$1,317,048 37	\$289,310 89	\$100,439 47	\$260,286 28	\$16,622 70	16,622 70
Less profit on Camden and Burlington County Railroad including Burlington and Mount Holly Railroad.....													
Loss in operating United New Jersey Railroads and Canal Company.....													
Less amount received from investments in cash.....													
Actual net loss for 1877.....													
													\$1,482,518 04

R. W. DOWNING, Comptroller.

LINES WEST OF PITTSBURGH.

C.—Statement of Gross Earnings, Expenses, Net Earnings, Rentals, Profits and Losses of Lines west of Pittsburgh for year ending December 31, 1877; also contributions to the various Sinking Funds, and amount expended for Betterments.

Length Miles.	Gross Earnings.	Expenses.	Net Earnings.	Hire of Equipment.	Rental and Interest.	Profits 1877.	Profits 1876.	Loss 1877.	Proportion of loss for which P. R. or Penn- sylvania Co. is respon- sible or ad- vance the funds to meet. 1877.	Proportion of loss for which P. R. or Penn- sylvania Co. is respon- sible or ad- vance the funds to meet. 1876.	Sinking Funds.	Better- ments.
Proprietary Department Pennsylvania Co.	\$576,384 26	\$258,035 01	\$318,349 25	.....	\$513,791 50	.....	.....	.....	\$193,342 25	\$146,102 75	\$22,000 00	.....
Union Line Bureau Pennsylvania Co.	1,935,577 59	1,210,081 47	725,496 14	.....	2,743,672 53	.....	.....	.....	.....	.....	104,160 00	\$164,098 17
408.3 Pittsburgh, Ft. Wayne and Chicago Railway	6,867,364 04	4,061,398 34	2,805,965 70	.....	118,509 03	.....	.....	.....	.....	.....	.....	.....
14.9 New Castle and Beaver Valley Railroad	296,272 63	110,742 18	185,530 45	.....	71,329 10	.....	.....	.....	.....	.....	.....	.....
22 Lawrence Railroad	178,322 76	82,326 18	95,996 58	.....	375,040 00	.....	.....	.....	.....	.....	.....	.....
14.0 Erie and Pittsburgh Railroad	578,191 81	357,316 02	220,875 79	.....	1,243,950 69	.....	.....	.....	.....	.....	.....	.....
22.5 Cleveland and Pittsburgh Railroad	2,332,325 73	1,291,662 18	1,100,663 56	.....	50,213 01	.....	.....	.....	.....	.....	.....	.....
62.5 Ashtabula, Youngstown and Pittsburgh Rail- road	227,206 48	149,875 72	77,330 76	\$27,117 75	.....	.....	.....	.....	.....	.....	.....	.....
44 Mansfield, Coldwater and Lake Michigan Railroad	77,160 96	70,805 69	6,355 27	11,257 48	.....	.....	.....	.....	.....	.....	.....	.....
25.1 Northwestern Ohio Railway	61,050 62	45,793 60	15,257 02	7,651 99	.....	.....	.....	.....	.....	.....	.....	.....
17.3 Toledo and Woodville Railroad	58,183 86	71,713 11	13,529 25	5,092 96	.....	.....	.....	.....	.....	.....	.....	.....
161 Jeffersonville, Madison and Indianapolis Railroad	1,176,174 69	678,942 50	497,232 19	.....	477,205 74	.....	.....	.....	.....	.....	.....	.....
117 Indianapolis and Vincennes Railroad	264,414 94	28,316 97	24,472 01	.....	200,000 00	.....	.....	.....	.....	.....	.....	.....
209.6 Pittsburgh, Cincinnati and St. Louis Railway	3,108,138 28	2,022,913 23	1,085,280 01	.....	783,138 05	.....	.....	.....	.....	.....	.....	.....
195.9 Little Miami Railroad	1,405,523 94	973,743 23	431,780 71	.....	740,217 40	.....	.....	.....	.....	.....	.....	.....
580.5 Columbus, Chicago and Indiana Central Railway	3,396,255 58	2,910,915 35	485,340 23	.....	455,340 23	.....	.....	.....	.....	.....	.....	.....
22.8 Chartiers Railway	77,167 14	34,769 49	42,406 65	.....	42,406 65	.....	.....	.....	.....	.....	.....	.....
148.4 Cincinnati and Muskingum Valley Railway	366,773 86	340,887 91	25,885 95	.....	105,000 00	.....	.....	.....	.....	.....	.....	.....
158.3 St. Louis, Vandalia and Terre Haute Rail- road	1,028,230 82	812,513 32	215,717 50	.....	308,469 24	.....	.....	.....	.....	.....	.....	.....
72 Indianapolis and St. Louis Railroad	480,280 67	288,848 40	191,432 27	.....	247,410 00	.....	.....	.....	.....	.....	.....	.....
189 St. Louis, Alton and Terre Haute Railroad	1,062,271 50	775,821 50	286,450 00	.....	451,753 27	.....	.....	.....	.....	.....	.....	.....
333 Grand Rapids and Indiana Railroad	1,097,107 03	748,361 82	348,745 21	.....	537,874 95	.....	.....	.....	.....	.....	.....	.....
92 Cincinnati, Richmond and Ft. Wayne Rail- road	286,528 59	198,314 47	88,214 12	.....	156,392 65	.....	.....	.....	.....	.....	.....	.....
157.5 Cleveland, Mt. Vernon, and Delaware Rail- road and leased line	388,896 15	307,171 16	81,724 99	.....	202,482 09	.....	.....	.....	.....	.....	.....	.....
Totals.	\$27,352,888 91	\$18,124,892 83	\$9,220,996 08	\$51,129 18	\$9,850,056 15	.....	.....	.....	.....	.....	.....	.....
3,407.1 Miles.						.....	.....	.....	.....	.....	.....	.....

Approved,
THOMAS D. MESSLER,
3d Vice President and Comptroller.
Pittsburgh, Feb. 20, 1878.

N. B. PALMER,
General Accountant.

D.—PHILADELPHIA AND ERIE RAILROAD COMPANY.

TREASURER'S BALANCE SHEET, JANUARY 1st, 1878.

	Dr.	
Capital stock, common, - - -	- \$6,053,700 00	
“ “ preferred, - - -	- 2,400,000 00	
		\$8,453,700 00
Sunbury and Erie first mortgage currency bonds, seven per cent., - - -	- \$976,000 00	
Philadelphia and Erie first mortgage currency bonds, six per cent., - - -	- 2,000,000 00	
Philadelphia and Erie first mortgage sterling bonds, six per cent., - - -	- 3,000,000 00	
Philadelphia and Erie second mortgage currency bonds seven per cent., - - -	- 3,000,000 00	
Philadelphia and Erie consolidated mortgage gold bonds, six per cent., - - -	- 8,680,000 00	
		17,656,000 00

ACCOUNTS PAYABLE.

Unpaid coupons as follows:—		
Sunbury and Erie first mortgage currency coupons, - - -	\$280 00	
Philadelphia and Erie first mortgage currency coupons, - - -	480 00	
Philadelphia and Erie first mortgage sterling coupons, - - -	87 30	
Philadelphia and Erie second mortgage currency coupons, - - -	770 00	
Philadelphia and Erie consolidated mortgage gold coupons, - - -	871,200 00	
Less balance from earnings in hands of Pennsylvania Railroad Company, lessee, - - -	114,746 45	
		758,070 85
As follows:		
Due Pennsylvania Railroad Company, lessee for coupons purchased and held by that Company, -	\$317,454 53	
Due Pennsylvania Railroad Company, lessee, for coupons on bonds owned by that Company, -	441,600 00	
	\$759,054 53	
Less coupons paid by Pennsylvania Railroad Company, lessee, but not chargeable to this account, - - -	983 68	
Balance as above, - - -	\$758,070 85	\$26 867,770 85

	Cr.	
Cost of construction, - - -	- \$26,137,548 28	
Bonds, stocks, etc., of other companies, - - -	\$246,673 32	
Cash, - - -	25,068 89	
	271,742 21	
Profit and loss, - - -	458,480 36	
Total, - - -		\$26,867,770 85

J. S. VANZANDT, *Treasurer.*

E.—PHILADELPHIA AND ERIE RAILROAD COMPANY.GENERAL INCOME ACCOUNT FOR YEAR ENDING DECEMBER 31ST,
1877.

*Total operating earnings,	-	-	-	\$3,172,992 70	
Total operating expenses,	-	-	-	2,049,527 34	
Net earnings,	-	-	-	\$1,123,365 36	
Add receipts from rents, etc.,	-	-	-	3,125 50	
Total revenue,	-	-	-		\$1,126,490 86
Deduct—					
Amount paid for maintenance of organization,	-			\$8,000 00	
Amount paid for interest on equipment furnished by lessee under contract of lease, January 1st, 1870,	-	-	-	239,189 90	
Amount paid drawback to Allegheny Valley Railroad Company, under traffic contract, for which this Company has received Allegheny Valley Railroad Company income bonds,	-			45,174 25	
Amount paid advertising coupons,	-	-	-	96 81	
					292,460 96
Balance net revenue applicable for the payment of interest on bonded debt and other obligations of this Company,	-				\$834,029 90
Deduct—					
Interest on \$976,000 Sunbury and Erie bonds, seven per cent.,	-	-	-	\$51,240 03	
Interest on \$2,000,000 Philadelphia and Erie bonds, six per cent.,	-	-	-	120,000 00	
Interest on £600,000 Philadelphia and Erie bonds, six per cent.,	-	-	-	174,600 00	
Interest on \$3,000,000 Philadelphia and Erie bonds, seven per cent.,	-	-	-	210,000 00	
Interest on \$8,680,000 Philadelphia and Erie bonds, six per cent.,	-	-	-	520,800 00	
Premium and exchange,	-	-	-	21,575 56	
Total interest, etc.,	-	-	-		1,098,215 59
Balance, being the deficiency, after charging all expenses, interest on obligations, except interest on the preferred stock,					\$264,185 69

* The statement of earnings and expenses herewith submitted is that received from the lessee.

J. S. VANZANDT,
Treasurer.

F.—PHILADELPHIA AND ERIE RAILROAD COMPANY.

PROFIT AND LOSS ACCOUNT, DECEMBER 31st, 1877.

DR.

Balance to debit of this account, January 1st, 1877,	\$234,590 10
Loss on sundry bonds sold,	15,169 94
Sundry items,	143 25
Deficiency of income for year 1877,	264,185 69

CR.

By Allegheny Valley Railroad Company's traffic account for which this Company has received	
income bonds,	\$45,174 25
Interest, etc., received,	9,789 35
Difference in cash of maintaining organization,	645 02
Balance carried to debit of this account, December 31st, 1887,	458,480 36
	<hr/>
	\$514,088 98
	<hr/>
	\$514,088 98
	<hr/>

J. S. VANZANDT,
Treasurer.

H.—ALLEGHENY VALLEY RAILROAD COMPANY.*Profit and Loss Account.*

Balance to debtor, December 31, 1876,	-	-	\$1,501,881	86
Interest on old floating debt, settled since December				
31, 1876,	-	-	-	775 70
Operating expenses prior to May 1, 1874, not heretofore charged up,	-	-	-	1,211 25
Balance income account for 1877, being deficit in net earnings of amount required to pay interest on income bonds,	-	-	-	432,700 70
<hr/>				
Total debit balance of profit and loss account,				
December 31, 1877, as shown in balance sheet,	-	-	-	\$1,936,569 51
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Pittsburgh, February 19, 1878.

A. T. ROWAND,
Auditor.

NOTE.—For the Income Account of the Allegheny Valley Railroad Company, see page 64 of this Report.

I.—PENNSYLVANIA COMPANY,

In General Account December 31, 1877.

Dr.

Cr.

Securities.....					
Bills Receivable.....					
Equipment.....					
Real Estate.....					
Union Line Property.....					
Due for Betterments to Leased Roads.....					
Due by Penn'a R. Co., not including current bal's.					
Due by other Companies.....					
Due by Station Agents.....					
Stock of Supplies.....					
Miscellaneous Assets.....					
Cash and Cash items.....					
Advanced Union Bridge Co., Toledo, O.....					
Advanced to pay Gold coupons from First Mortgage Bonds, Grand Rapids & Indiana R. R. Co.....					
Purchase of Items on Real Estate bought by C., C. & I. C. Ry. Co.....					
SINKING FUNDS FOR LEASED ROADS, VIZ.:					
First Mortgage Bonds, P., F. W. & C. Ry. Co.....	\$354,375 00				
Second " " " " " "	348,300 00				
Consolidated " " " " " "	232,116 00				
Construction & Equip't Bld'g, Clev. & Pitts. R. R. Co.....	64,691 68				
First Mortgage Bonds, J., M. & I. R. R. Co.....	92,485 67				
Total.....	1,091,968 35				
Sinking Fund for six per cent. Registered Bonds, secured by Guard Spl Stock of P. F. W. & C. R. Co.....					
To balance to debit of Profit and Loss Account.....	22,000 00				
	74,047 69				
	\$26,023,331 91				
Capital Stock, viz.:					
Common Stock.....	\$3,771,250 00				
Less unpaid.....	771,250 00				
Preferred Stock.....					
Total Capital Stock.....	\$11,000,000 00				
First Mortgage Bonds issued, six per cents.....					7,000,000 00
Due Lessor Companies for Supplies.....					803,410 51
Bills Payable.....					2,933,699 99
Due to other Companies.....					338,149 38
Due for Current Expenditures in operating Leased Roads.....					939,757 24
Miscellaneous Liabilities.....					216,346 44
Six per cent. Registered Bonds, secured by Guar. Spl Stock of P. F. W. & C. Ry. Co., issued.....					1,500,000 00
Reserve Fund, Leased Roads.....					
					1,091,968 35
					\$26,023,331 91

Pittsburgh, February 20, 1878.

Approved, THOS. D. MESSLER,

3d Vice President and Comptroller.

N. B. PALMER, General Accountant.

**J.—INCOME ACCOUNT PENNSYLVANIA COMPANY, FOR THE
YEAR ENDING DECEMBER 31, 1877.**

Net earnings Union Line Bureau, - - -	\$725,493 14	
Received for rents of Monongahela Extension, -	46,704 95	
" " Real Estate, - - -	46,778 56	
" " Toledo and State Line Rail- road, - - -	4,069 35	
" " Equipment, - - -	61,838 49	
Profit from operations leased roads, - - -	-	\$884,884 49
Pittsburgh, Fort Wayne and Chicago Railway, -	\$59,333 15	
New Castle and Beaver Valley Railroad, - -	67,021 42	
Lawrence Railroad, - - -	24,667 48	
Jeffersonville, Madison and Indianapolis Railroad, -	20,026 45	
		<u>171,048 50</u>
Received from Investments—		
Dividends on stock, - - - -	\$299,827 20	
Interest on bonds, - - - -	165,165 71	
		<u>464,992 91</u>
Revenue, - - - - -	-	\$1,520,925 90
From which deduct—		
Expenses Proprietary Department, - -	\$63,033 84	
Interest and discount on floating debt, -	195,001 17	
Losses on leased roads—		
Erie and Pittsburgh Railroad, - - -	154,194 21	
Cleveland and Pittsburgh Railroad, - -	143,287 14	
Toledo and Woodville Railroad, - - -	18,622 21	
Interest on 1st mortgage, 7 per cent., gold bonds, -	513,691 50	
" " 6 per cent. regist'd loan, \$3,200,000, -	48,000 00	
		<u>1,135,830</u>
Balance, being net revenue after expenses, rentals, and interests, - - - - -	-	\$385,095 83
From which deduct—		
Advances to Indianapolis and Vincennes Railroad Company, charged off to Profit and Loss, -	238,000 00	
Advances to Indianapolis and St. Louis Railway Company, in 1877, \$95,500, ninety per cent., charged to Profit and Loss, - - -	85,950 00	
Advance to Cincinnati, Richmond and Ft. Wayne Railroad Company, being proportion borne by Pennsylvania Company under contract, -	30,975 00	
		<u>354,925 00</u>
Balance, being the surplus of net revenue for year carried to credit Profit and Loss, - - -	-	\$30,170 83
Approved,	N. B. PALMER,	
THOS. D. MESSLER,	General Accountant.	
3d Vice President and Comptroller,		

K.—PENNSYLVANIA COMPANY.

DR.

Profit and Loss Account, December 31st, 1877.

CR.

1877. Dec'r 31.	To amount carried to Reserve Fund for account of Sinking Funds of Leased Roads, for twelve months.....	\$182,924 00	1876. Dec'r 31.	By Balance to Credit of this Account, this date.....	\$450,364 06
	To reduction in value of sundry Bills Receivable and Securities, as per order of Board of Directors.....	308,601 26	1877. Dec'r 31.	By Balance to Credit of Income Account, Dec. 31, 1877.	30,170 83
	To amount difference between cost of four Express Cars (sold to P. C. & St. Louis Railway Co.), and amount received therefor.....	3,725 00		By Profit on sale of Securities.....	31,315 87
	To amount advanced to pay interest on First Mortgage Bonds Cincinnati, Richmond, & Ft. Wayne Railroad Co., prior to January 1, 1877, including interest.....	119,620 95		By amount received from J. M. & I. R. R. Co., in adjustment of account from Aug. 1, 1871, to Dec. 31, '77.	27,190 66
				By Balance of funds from Trustees of Ohio & Pennsylvania Railroad Co. Bridge Bonds.....	1,682 10
				By Balance.....	74,047 69
		<u>\$614,771 21</u>			<u>\$614,771 21</u>

Approved, THOS. D. MESSLER,

3d Vice President and Comptroller.

N. B. PALMER,

General Accountant.

[illegible]

M.—PITTSBURGH, CINCINNATI & ST. LOUIS RAILWAY COMPANY

INCOME ACCOUNT.

Gross Earnings,	-	-	\$3,097,962	46
Expenses,	-	-	2,022,913	25
<hr/>				
Operating net earnings,			\$1,075,049	21
Add interest received from investments,	-		10,230	80
<hr/>				
Total net revenue,	-	-	\$1,085,280	01
Deduct—				
Interest on floating debt,			\$75,848	05
Rent, Monongahela Extension,			37,500	00
Interest on bonds of Company,			669,790	00
<hr/>				\$783,138 05
<hr/>				
Balance, being surplus after paying expenses, interest, &c.,	-		\$302,141	96
Deduct loss in operating the following roads under their leases :				
Little Miami Railroad,	-	-	\$308,436	69
Cincinnati and Muskingum Valley Rail-				
road,	-	-	79,114	05
St. Louis, Vandalia and Terre Haute Rail-				
road,	-	-	46,375	86
<hr/>				\$433,926 60
<hr/>				
Balance, being deficiency of income to meet expenses, obliga-				
tions, and rentals, carried to debit profit and loss account,				
December 31, 1877,	-	-	\$131,784	64
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Approved,

THOS. D. MESSLER,

Assistant to President and Comptroller.

J. W. RENNER,

Auditor.

N.—PITTSBURGH, CINCINNATI, AND ST. LOUIS RAILWAY COMPANY.

Profit and Loss Account, December 31, 1877.

1877.	1877.		1877.
Dec. 31	Dec. 31		
To balance, Dec. 31, 1876.....	\$6,031,207 23	By earnings and expenses of C. C. & I. Ry. prior to January 1, 1875.....	\$13,785 79
" amount of sundry charges to L. M. Betterment Account, not allowed by L. M. R. R. Co.....	83,941 86	" profit realized on sale of 186 bonds of Union Depot Co., Columbus, O., of \$1,000.00 each, purchased at 80 per cent. of par value, and sold at par.....	37,200 00
" L. M. Div's proportion of expenses of Richmond Passenger Depot, Yard, etc., from April 1, 1871, to December 31, 1876.....	26,878 87	" amount received from George B. Roberts, Trustee, under agreement dated October 1, 1875, for surplus of receipts over payments of interest from June 1, 1876, to August 31, 1877.....	4,964 02
" deficiency in income for year ending December 31, 1877.....	131,784 64	" amount to the credit of C. P. & R. Co. charged off, the same having been included in settlement with that Co., made April 13, 1877.....	21,963 11
		" 2,500 consolidated second mortgage bonds of this Company of \$1,000.00 each, Nos. 2,500 to 5,000, surrendered by the Pennsylvania Company in accordance with an arrangement made with that Company.....	\$2,500,000 00
		" Interest from October 1, 1873, to January 1, 1874, on \$5,000,000.00 heretofore credited, but not paid.....	7,500 00
			2,587,500 00
		" amount of sundry acceptances of this Company issued to the Pennsylvania Company for advances made by them surrendered in accordance with an arrangement made with that Company.....	3,279,221 92
		" By balance.....	329,177 76
			\$6,273,812 60

Approved,

THOS. D. MESSLER,

Asst. to Pres. and Comptroller.

Pittsburgh, Pa., February 15, 1878.

J. W. RENNER,

Auditor.

Q.—GRAND RAPIDS AND INDIANA RAILROAD COMPANY.

DR.

General Account, December 31, 1877.

U.R.

To Cost of Road, equipment, &c., to December 31, 1876.....	\$11,051,897 99	By Capital Stock.....	\$2,800,000 00
Add expenditures during this year.....	35,944 35	“ Funded Debt, as follows:	
To Total Cost of Road, equipment, &c., to date.....	\$11,087,842 34	First Mortgage Bonds.....	\$1,010,000 00
“ amount due by other Companies in current account.....	86,531 29	“ “ Land Grant Bonds.....	2,555,000 00
“ “ Agents and Conductors.....	20,617 54	“ “ “ guaranteed.....	4,000,000 00
“ Cash in hands of Treasurer.....	\$54,126 87	Income Bonds.....	435,000 00
“ “ Pay Master.....	2,712 52	Total Funded Debt.....	8,000,000 00
“ “ Winslow, Lanier & Co.....	4,929 96	By amount due other Companies in current account.....	41,743 91
“ Bills Receivable.....	61,769 35	“ Accounts Payable.....	69,534 45
“ stock of supplies on hand.....	4,418 32	“ Bills payable held by Pennsylvania Company..	\$336,839 92
“ loss as shown by Income Account.....	103,032 58	“ “ by other parties.....	499 95
	1,259,861 26	“ amount of coupons held by Penn. R. R. Co.....	1,370,972 54
		“ “ “ matured but not presented.	4,481 91
			1,375,454 45
			\$12,624,072 68

GRAND RAPIDS, MICHIGAN, February 21, 1878.

F. W. GORHAM, Auditor.

